Double-digit gains mark a strong '89

Evolving character of the chain drug industry

Chain store size	No. of companies			No. of stores		
	1979	1989	% change	1979	1989	% change
Two- to three-store companies	2,046	1,223	−40.2%	4,654	2,790	−40.1%
Four- to 10-store companies	498	377	−24.3	2,596	2,002	−22.9
11 or more-store companies	165	129	−21.8	12,514	18,425	47.2
Totals	2,709	1,729	−36.2	19,764	23,217	17.5

Source: *Chain Store Guides*

Average chain drug store performance

Company	Store size (sq. ft.)	Sell space	Sales per store	Sales per sq. ft.
Duane Reade	5,000	5,000	7,151,515	$1,430
Shoppers Drug Mart	7,000	5,700	4,104,265	720
Jean Coutu	9,000	7,700	5,487,805	713
Sedano's Pharmacy	7,000	6,500	4,500,000	692
Marc's	25,000	25,000	12,894,737	516
Rockbottom	17,000	16,000	8,148,148	509
A.D. Clark	15,000	12,000	5,842,105	487
Longs	24,000	18,000	8,510,379	473
Austin	12,000	10,000	4,722,222	472
F&M	24,000	17,000	7,386,667	435
Lawton's	4,800	4,100	1,716,216	419
Genovese	12,000	10,500	4,220,063	402
Kinney	8,000	6,500	2,548,387	392
Wellby	7,000	5,500	2,121,293	386
Walgreens	13,800	9,600	3,625,427	378
Arbor	10,800	[illegible]	3,450,552	371
Super D	5,000	5,000	1,728,155	346
Discount Drug Mart	22,000	17,000	5,481,481	322
Perry	9,840	9,840	3,000,930	305
Thayer	5,500	5,300	1,612,903	304
Fay's	13,879	11,237	3,298,851	294
American	21,360	16,660	4,852,878	291
Thrift	10,000	8,000	2,310,504	289
Douglas	15,000	14,000	3,723,875	266
Rix Dunnington	6,200	6,200	1,595,757	257
May's	8,000	7,000	1,800,000	257
Standard	5,600	5,300	1,350,000	255
Peoples	10,000	8,500	2,098,977	247
Pay Less NW	27,700	21,954	5,405,405	246
Drug Emporium	24,000	18,000	4,427,500	246
Eckerd	9,000	8,000	1,963,190	245
Snyder's	11,000	8,830	2,078,032	235
HSI	8,435	7,135	1,663,462	233
Taylor	9,000	8,300	1,884,615	227
Rite Aid	6,700	5,800	1,280,068	221
Snyder Bros.	8,500	8,500	1,850,000	218
Carls	12,000	9,500	2,040,816	215
K&B	14,265	12,563	2,600,000	207
Bill's	16,000	14,000	2,864,428	205
Big B	10,000	7,500	1,404,040	187
Crown	9,000	8,000	1,476,190	185
Kerr	9,600	8,800	1,569,892	178
Thrifty/White	12,000	9,900	1,679,138	170
Revco	8,460	8,450	1,430,365	169
Reliable	9,220	9,220	1,491,228	162
Harco	10,000	8,500	1,279,281	150
Fantle's	16,800	15,800	2,307,946	146
Phar-Mor	65,000	55,000	7,878,788	143

Source: *Drug Store News* 1990 chain drug survey

Top 50 American drug chains: 1989 dollar volume

Rank	Company	Headquarters	Drug store sales (in millions)	% change	Store totals	% change	FY ends
1.	**Walgreens**	Deerfield, Ill.	$5,380	13.2	1,484	4.8	8/31/89
2.	**American**	Oak Brook, Ill.	3,520	10.3	675	2.6	2/3/90
3.	**Eckerd**[1]	Clearwater, Fla.	3,200	10.3	1,630	3.2	2/3/90
4.	**Thrifty**[2]	Los Angeles	3,100	29.2	809	0.4	11/30/89
5.	**Rite Aid**	Shiremanstown, Pa.	3,012[E]	10.4	2,353	8.4	3/3/90
6.	**Revco**	Twinsburg, Ohio	2,701	12.5	1,888	0.3	6/3/89
7.	**Longs**	Walnut Creek, Calif.	2,111	9.7	248	5.1	1/25/90
8.	**CVS**	Woonsocket, R.I.	1,950	15.5	789	4.9	12/31/89
9.	**Hook-SupeRx, Inc.**[3]	Cincinnati	1,730	35.2	1,040	1.2	8/31/89
10.	**Pay Less NW**	Wilsonville, Ore.	1,600	23.1	296	10.0	1/21/90
11.	**Phar-Mor**	Youngstown, Ohio	1,300	72.9	165	44.7	12/31/89
12.	**Thrift**	Pittsburgh	1,091	11.7	472	7.3	1/27/90
13.	**Drug Emporium**[4]	Worthington, Ohio	1,050	19.3	195	16.1	2/28/90
14.	**Peoples**	Alexandria, Va.	1,020	−32.0	486	− 39.8	12/30/89
15.	**Perry**	Pontiac, Mich.	645	− 0.2	215	− 3.2	10/31/89
16.	**F&M**	Warren, Mich.	554[E]	19.9	75	13.6	1/31/90
17.	**Fay's**	Liverpool, N.Y.	528	7.3	174	13.7	1/27/90
18.	**Medicine Shoppe**[5]	St. Louis	454	17.6	821	8.7	9/30/89
19.	**Big B**	Bessemer, Ala.	418	53.9	297	45.6	2/03/90
20.	**Pic N' Save**	Jacksonville, Fla.	410[E]	17.1	41	0.0	12/31/89
21.	**Genovese**	Melville, N.Y.	405	10.7	96	6.7	2/02/90
22.	**K&B**	New Orleans	390	4.0	150	0.7	9/30/89
23.	**Arbor**	Troy, Mich.	300	21.5	87	8.8	7/31/89
24.	**Marc's**	Middleburg, Ohio	245[E]	24.4	19	26.7	6/30/89
25.	**Duane Reade**	Long Island City, N.Y.	236[E]	9.8	33	3.1	12/31/89
26.	**Rockbottom**	Port Washington, N.Y.	220[E]	10.0	27	3.8	1/31/90
27.	**Super D**	Memphis, Tenn.	178	7.2	103	1.0	4/30/89
28.	**SupeRx**	Phoenix, Ariz.	175[E]	94.4	117	101.7	4/01/90
29.	**Fantle's**	Landover, Md.	171	−21.6	74	2.8	7/31/89
30.	**Reliable Drug**[6]	Indianapolis	170	NA	114	NA	2/24/90
31.	**Discount Drug Mart**	Medina, Ohio	148	9.6	27	3.8	3/31/90
32.	**Kerr**	Raleigh, N.C.	146	21.7	93	6.9	6/30/89
33.	**Drug Fair of N.J.**	Somerville, N.J.	134[E]	12.6	32	3.2	7/31/89
34.	**Snyder**	Minnetonka, Minn.	129	10.3	62	1.6	7/29/89
35.	**Harco**	Northport, Ala.	115[E]	9.5	90	16.9	7/31/89
36.	**A.D. Clark**	Los Angeles	111[E]	1.8	19	0.0	12/31/89
37.	**SGC Drug Store Div.**	Woodbridge, N.J.	110[E]	4.8	33	− 5.7	1/29/90
38.	**Carl's**	Rome, N.Y.	100	7.5	49	2.1	12/30/89
39.	**Thrifty/White**	Minneapolis	98	5.4	58	3.6	4/30/89
40.	**Taylor**	Louisville, Ky.	98[E]	0.0	52	− 5.5	9/30/89
41.	**LaVerdiere's**	Winslow, Maine	95[E]	9.2	60	1.7	1/31/90
42.	**Wellby**	Portland, Maine	87	17.6	41	13.9	12/30/89
43.	**Medi-Save**[7]	Baton Rouge, La.	86[E]	0.0	86	− 3.4	5/31/89
44.	**Standard**	Richmond, Va.	81	5.2	60	− 9.1	3/31/90
45.	**Kinney Drugs**	Gouverneur, N.Y.	79	12.9	31	3.3	12/31/89
46.	**Dot Discount Drugs**	Bentonville, Ark.	74[E]	5.7	14	0.0	1/31/90
47.	**Bill's**	Benecia, Calif.	72	5.9	25	0.0	4/1/90
48.	**Rix Dunnington**	Auburndale, Mass.	66[E]	11.9	40	8.1	1/31/90
49.	**Douglas**	N. Providence, R.I.	60[E]	1.7	16	6.7	3/31/90
50.	**Drug Town**	Chariton, Iowa	57[E]	0.0	20	− 9.1	12/31/89

E = estimates

1. Includes Eckerd VisionWorks stores
2. Includes Thrifty, Pay 'n Save and Bi-Mart discount stores
3. Includes Hooks, SupeRx and Brooks stores
4. Includes company-owned and franchised stores
5. Data based on calendar year
6. Peoples' Midwest division acquired by Reliable Aug. 16, 1989. Sales figures are pro forma for year
7. Store count includes retail stores only, not institutional pharmacies

Source: *Drug Store News* 1990 chain drug survey

Top Canadian drug chains

Company	Headquarters	Drug store sales latest FY (Millions $ Canadian)	% change	Store totals	% change
Shoppers Drug Mart	Toronto	$2,356	13.7%	612	4.4
Jean Coutu	Longeuil, Québec	680	30.3	139	32.3
Pharma Plus Drugmarts (Formerly Boots)	Etobicoke, Ont.	280	NA	108	−38.0
Big V	London, Ont.	248	8	103	0.0
London Drug	Richmond, B.C.	200	NA	20	NA
Hy & Zell's	Toronto	154	NA	15	NA
Pinders	Saskatoon, Sas.	46	NA	20	NA

Source: *Drug Store News* 1990 chain drug survey

Drug chains show sales growth, investment gains

Chain drug store remodeling

Company	1987	1988	1989	'89 store totals
Eckerd	286	267	1,000+*	1,630
Rite Aid	146	245	237	2,353
Walgreens	119	60	166	1,484
Shoppers Drug Mart	24	22	58	633
Perry	NA	40	50	215
Medicine Shoppe	23	30	35	821
Thrifty	16	37	26	809
Thrift	25	14	24	472
Jean Coutu	5	8	18	164
Lawton's	NA	3	18	74
Big B	25	26	12	297
Phar-Mor	NA	NA	10	165
Medi-Save	7	3	10	86
Super D	NA	NA	10	103
Snyder's	4	5	8	62
Peoples	150	100	8	486
Genovese	5	5	6	96
Fay's	3	5	6	174
Fantle's	NA	0	5	74
Harco	3	3	5	90
Carl's	NA	1	5	49
Marc's	NA	0	5	19
Wil-Car	NA	3	4	55
Thayer	3	2	4	31
Duane Reade	4	5	4	33
Medic Drug	2	3	4	21
Pay Less NW	6	4	3	296
Saskatoon	NA	2	3	20
Standard	NA	2	3	60
Thrifty/White	3	4	3	58
Medicap	NA	0	3	68
May's	2	2	3	25
Austin	NA	1	3	9
Discount Drug Mart	2	3	3	27
Kerr	3	4	3	93
Kinney	2	2	3	31
Bartell	1	2	2	31
Reliable	NA	NA	2	114
F&M	2	6	2	75
A.D. Clark	NA	1	1	19
Douglas	1	1	1	16
Bill's	NA	2	0	25
Wellby	3	2	0	41
K&B	3	4	0	150
Rockbottom	5	5	0	27
Drug Emporium	10	8	NA	80
Taylor	4	4	NA	52
Revco	100	125	NA	1,888
American	19	5	NA	675

*Cumulative since LBO

Source: *Drug Store News* 1990 chain drug survey

Top 50 American drug chains: 1989 store totals

Rank	Company	Headquarters	Store totals	% change
1.	Rite Aid	Shiremanstown, Pa.	2,353	8.4%
2.	Revco	Twinsburg, Ohio	1,888	0.3
3.	Eckerd	Clearwater, Fla.	1,630	3.2
4.	Walgreens	Deerfield, Ill.	1,484	4.8
5.	Hook-SupeRx, Inc.[1]	Cincinnati	1,040	1.2
6.	Medicine Shoppe	St. Louis	821	8.7
7.	Thrifty[2]	Los Angeles	809	0.4
8.	CVS	Woonsocket, R.I.	789	4.9
9.	American	Oak Brook, Ill.	675	2.6
10.	Peoples	Alexandria, Va.	486	– 39.8
11.	Thrift	Pittsburgh	472	7.3
12.	Big B	Bessemer, Ala.	297	45.6
13.	Pay Less NW	Wilsonville, Ore.	296	10.0
14.	Longs	Walnut Creek, Calif.	248	5.1
15.	Perry	Pontiac, Mich.	215	– 3.2
16.	Drug Emporium[3]	Worthington, Ohio	195	16.1
17.	Fay's	Liverpool, N.Y.	174	13.7
18.	Phar-Mor	Youngstown, Ohio	165	44.7
19.	K&B	New Orleans	150	0.7
20.	SupeRx	Phoenix, Ariz.	117	101.7
21.	Reliable Drug[4]	Indianapolis	114	NA
22.	Super D	Memphis, Tenn.	103	1.0
23.	Genovese	Melville, N.Y.	96	6.7
24.	Kerr	Raleigh, N.C.	93	6.9
25.	Harco	Northport, Ala.	90	16.9
26.	Arbor	Troy, Mich.	87	8.8
27.	Medi-Save[5]	Baton Rouge, La.	86	– 3.4
28.	F&M	Warren, Mich.	75	13.6
29.	Fantle's	Landover, Md.	74	2.8
30.	Snyder	Minnetonka, Minn.	62	1.6
31.	LaVerdiere's	Winslow, Maine	60	1.7
32.	Standard	Richmond, Va.	60	– 9.1
33.	Thrifty/White	Minneapolis	58	3.6
34.	Taylor	Louisville, Ky.	52	– 5.5
35.	Carl's	Rome, N.Y.	49	2.1
36.	Wellby	Portland, Maine	41	13.9
37.	Pic n' Save	Jacksonville, Fla.	41	0.0
38.	Rix Dunnington	Auburndale, Mass.	40	8.1
39.	SGC Drug Store Div.	Woodbridge, N.J.	33	– 5.7
40.	Duane Reade	Long Island City, N.Y.	33	3.1
41.	Drug Fair of N.J.	Somerville, N.J.	32	3.2
42.	Thayer Pharmacies	Stoughton, Mass.	31	3.3
43.	Bartell	Seattle	31	0.0
44.	Kinney Drugs	Gouverneur, N.Y.	31	3.3
45.	Discount Drug Mart	Medina, Ohio	27	3.8
46.	Rockbottom	Port Washington, N.Y.	27	3.8
47.	Bill's	Benecia, Calif.	25	0.0
48.	Medic Discount Drug	Cleveland	21	5.0
49.	Drug Town	Chariton, Iowa	20	– 9.1
50.	Marc's	Middleburg, Ohio	19	27.7

1. Includes Hook, SupeRx, and Brooks stores
2. Includes Thrifty, Pay 'n Save and Bi-Mart stores
3. Includes 79 company-owned stores and 116 franchises
4. Acquired Peoples' Midwest Division Aug. 16, 1989
5. Includes retail stores only, not institutional pharmacies

Source: *Drug Store News'* 1990 chain drug survey

Ten-year drug store growth trend

Year	Total stores	Chain stores	Chain share	Indep. stores	Indep. share
1989	54,439	20,427	38	34,012	62
1988	54,172	19,859	37	34,313	63
1987	53,963	19,142	35	34,821	65
1986	52,800	18,310	35	34,490	65
1985	52,500	17,740	34	34,760	66
1984	52,139	17,194	33	34,945	67
1983	50,264	16,589	33	33,675	67
1982	49,527	16,144	33	33,383	67
1981	49,310	15,864	32	33,446	68
1980	49,192	15,615	32	33,577	68

Source: *Drug Store News* 1990 chain drug survey

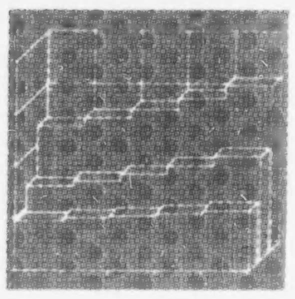
Ten-year sales trends

(In billions of dollars)

Year	Total industry	% change	Total chain	% change	Total indep.	% change
1989	$62.9	9%	$39.9	11%	$23.0	5%
1988	57.9	8	36.0	10	21.9	5
1987	53.5	6	32.7	8	20.8	4
1986	50.2	7	30.2	7	20.0	7
1985	47.0	9	28.2	11	18.8	6
1984	43.2	9	25.5	12	17.7	5
1983	39.7	10	22.8	11	16.9	8
1982	36.2	8	20.5	11	15.7	5
1981	33.4	10	18.5	12	14.9	8
1980	30.3	12	16.4	16	13.9	7

Source: *Drug Store News* 1990 chain drug survey

Chain drug stocks 'thrill' investors in 1989



NEW YORK — Stocking up, considered a pursuit for the hearty since Black Monday shook the trees of small investors, brought some handsome rewards to the steely during the past 12 months.

Investors in chain drug stocks enjoyed the thrill of racing pulses in the year ended March 1, thanks to the year-to-date trajectory of Arbor Drugs.

The year-in-review chart on this page paints a colorful portrait of the chain drug store industry, as seen through the eyes of Wall Street. Arbor led the chain drug pack, advancing 67.1 percent to $18.25, while Drug Emporium, in stark contrast, fell 28.9 percent to $7.38 a share.

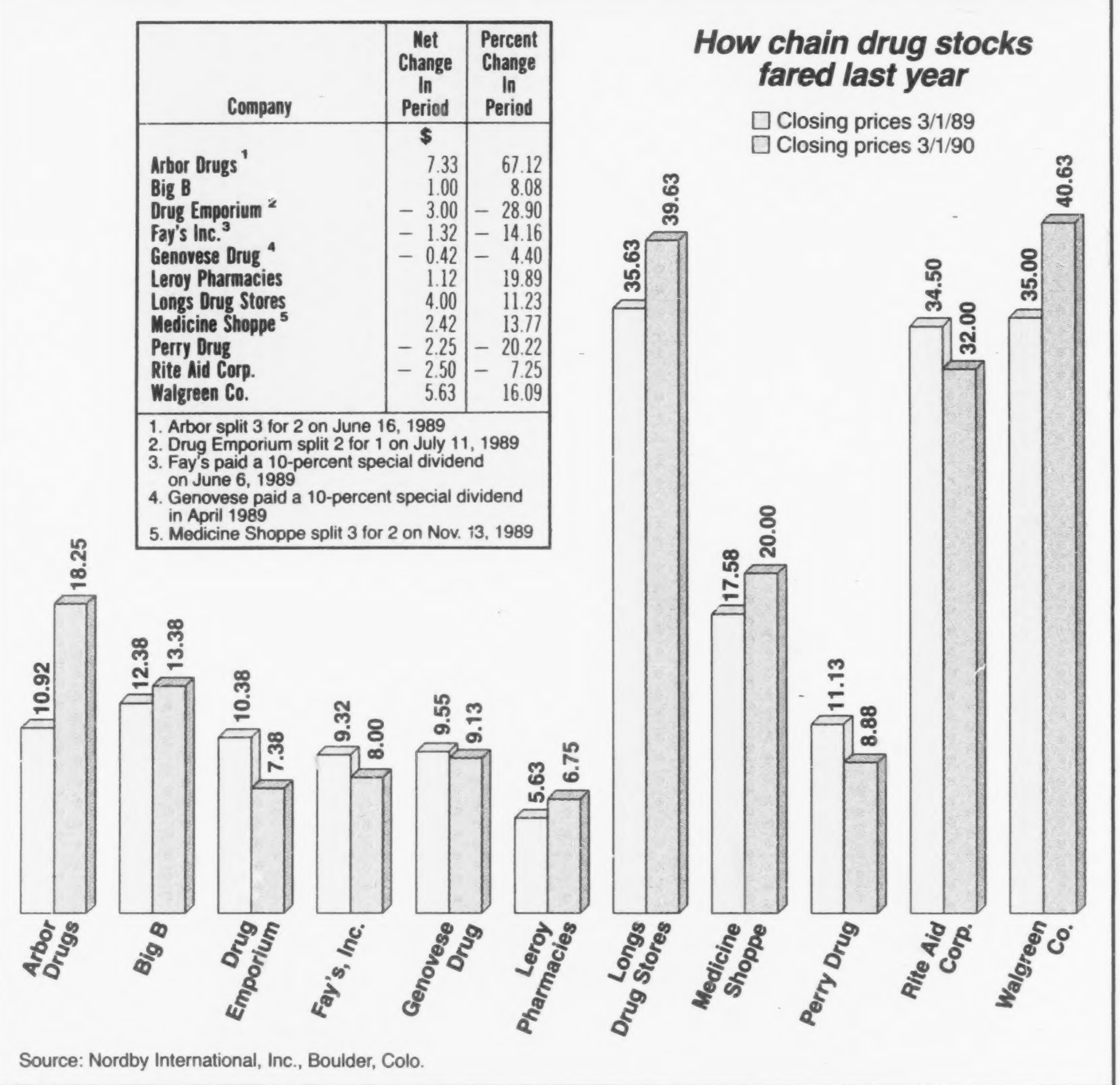
The *Drug Store News* Stock Index managed to add a hefty 271.91 points, or 11.3 percent, en route to a close of 2,689.58 for the 52-week trading session. This indicator paled, however, in comparison to its broader-based brethren, the Dow Jones Industrial Average and the Standard & Poor's 500-Stock Index; their advances were considerably more dramatic.

For example, the Dow Industrial flexed its muscles by 392.55 points, or 17.5 percent, to 2,635.59, despite the debilitating effects of the January freeze, when stocks traveled south in droves. In similar fashion, the S&P 500 forged ahead 45.63 points, or 15.9 percent, to finish at 332.74.

How did drug chains compare with each other over the past 12 months?

The bullish support of Arbor Drugs can be attributed to strong earnings produced by the regional operator. The 67.12-percent leap, to $18.25 per share, underlies the confidence investors have that management controls will keep expenses down as a percentage of sales, and that Arbor's strong merchandising and knowledge of its markets will keep the chain competitively sharp.

The Drug Store News *Stock Index managed to add a hefty 271.91 points, or 11.3 percent, en route to a close of 2,689.58 for the 52-week trading session.*



Company	Net Change In Period	Percent Change In Period
	$	
Arbor Drugs[1]	7.33	67.12
Big B	1.00	8.08
Drug Emporium[2]	– 3.00	– 28.90
Fay's Inc.[3]	– 1.32	– 14.16
Genovese Drug[4]	– 0.42	– 4.40
Leroy Pharmacies	1.12	19.89
Longs Drug Stores	4.00	11.23
Medicine Shoppe[5]	2.42	13.77
Perry Drug	– 2.25	– 20.22
Rite Aid Corp.	– 2.50	– 7.25
Walgreen Co.	5.63	16.09

1. Arbor split 3 for 2 on June 16, 1989
2. Drug Emporium split 2 for 1 on July 11, 1989
3. Fay's paid a 10-percent special dividend on June 6, 1989
4. Genovese paid a 10-percent special dividend in April 1989
5. Medicine Shoppe split 3 for 2 on Nov. 13, 1989

Source: Nordby International, Inc., Boulder, Colo.

Drug Emporium stock, however, suffered over the past 12 months, falling $3.00 a share, or 28.9 percent, to $7.38. The chain's earnings were affected by the purchases of franchises in Minneapolis, Milwaukee and greater Los Angeles, and the buying of some non-deal merchandise in keeping with the deep discounter's policy of offering full selections.

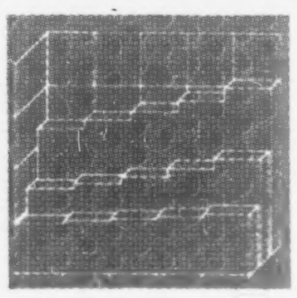
Also on the sell side of the ledger, Perry Drug Stores fell $2.25 a share, or 20.22 percent, to $8.88. This was a matter of the stock price settling in at a reasonable price/earnings multiple, after earlier takeover speculation failed to culminate in a deal.

Rite Aid traded actively the past 12 months. The stock price apparently felt the impact of acquired stores' performances, as they are still being integrated, updated and maturing; the chain's exit from the video rental business; and disputed charges pending against president Martin Grass for alleged "bribery" of an Ohio Pharmacy Board member. Rite Aid lost $2.50 a share for the period, or 7.3 percent, en route to a close of $32.00.

Walgreen stock, on the other hand, gained $5.63 a share, or 16.1 percent, en route to a close of $40.63. The market supports a higher P/E multiple for many reasons: confidence that the chain's outstanding growth will be maintained, continued reinvestment in new stores and retail technology, cost cutting, management stability, improved market penetration and operating efficiencies.

Medicine Shoppe stock rose 13.8 percent in the year to $20.00 The issue has been a star performer among lower-capitalized retailers because investors perceive an almost unlmited opportunity for growth. The format can go almost anywhere, and the company has developed a well-tuned franchise program that requires relatively low startup costs. Medicine Shoppe, which has increased store count rapidly, has a very predictable earnings stream, in a business that is tied directly to positive demographic changes, such as the increasing elderly population.

Chains grab for brass ring on M&A merry-go-'round



For chains that were in a position to seize the opportunities, the climate this past year was favorable for acquisitions.

Early in the year, Peoples Drug Stores announced plans to divest itself of three blocks of stores, and Big B, Rite Aid and an investor group that subsequently formed Reliable Drugs were able to take advantage of the selloff. First Big B bought 85-store Reed Drug in Georgia, then Rite Aid acquired 114 former Lane Drug stores primarily in Ohio, and, in August, former Rite Aid executives Roger Grass and Charles Conaway, with a group of investors, purchased Peoples' 120 former Haag Drug stores mainly in Indiana.

The respective acquisitions put Big B in Atlanta in a big way, gave Rite Aid market dominance in Toledo and Canton, Ohio. . . and started Reliable Drugs off with a solid base of stores, primarily in Indiana.

The respective acquisitions put Big B in Atlanta in a big way, gave Rite Aid market dominance in Toledo and Canton, Ohio, as well as 103 more stores in the state (for a total of more than 360 units), and started Reliable Drugs off with a solid base of stores, primarily in Indiana. The divestiture put a slimmed-down Peoples in fighting trim, with about 490 stores in its strongest markets, to achieve profitability during the year.

Rite Aid subsequently acquired 19 stores from Lane Drugs, a small New Jersey-based chain, filling in a strategic area for Rite Aid in fast-growing counties of south-central New Jersey.

A family-owned drug chain, Dunaway Drug Stores, a fixture in metropolitan Atlanta's suburban Cobb County, became history when the Jack Eckerd Corp. acquired the 16-store chain in May. The takeover consolidated Eckerd's strong position in Atlanta and gave it five additional stores in northern Georgia.

Eckerd also bought Hilley's chain of seven stores in Texas in the fall, bolstering its Dallas-Fort Worth presence and adding three stores in smaller Texas communities.

In addition, Eckerd picked up 10 stores when Hook-SupeRx pulled out of North Carolina in the fall. Sources said HSI opted to leave its small-town markets there rather than add stores to improve efficiencies. The buy strengthened Eckerd's market share in the Win-

Continued on page 52

Scoreboard for publicly-held drug chains

Drug store units

Company	'85	'86	'87	'88	'89
Rite Aid	1,372	1,586	2,072	2,171	2,353*
Walgreens	1,095	1,273	1,356	1,416	1,484
Medicine Shoppe					821
Big B	126	150	183	204	300
Longs	208	222	229	236	248
Perry	191	203	222	222	215
Drug Emporium					193**
Fay's	139	150	155	153	174†
Genovese	75	79	83	90	96
Arbor	43	52	74	80	87

*Estimated
**80 corporately owned, 113 franchised.
†158 "super" drug stores, 16 bantam drug stores

Source: Company reports

Net-to-sales ratio

Company	'85	'86	'87	'68	'89
Rite Aid	4.8%	4.3%	5.8%	3.3%	N/A*
Arbor	3.0	3.5	2.4	2.7	3.1
Walgreens	3.0	2.8	2.4	2.6	2.9
Longs	2.5	2.4	2.8	2.9	2.9
Fay's	0.6	0.9	1.2	1.9	1.8
Drug Emporium					1.6
Perry	1.8	0.9	**	**	1.1
Big B	2.3	2.1	2.9	2.7	0.9
Genovese	1.2	0.8	1.5	1.5	0.7
Medicine Shoppe					N/A

*To be announced 4/20/90
**Reported net loss

Source: Company reports

Sales per average store

(In thousands of dollars)

Company	'85	'86	'87	'88	'89
Longs	$7,155	$7,367	$7,740	$8,300	$8,510**
Drug Emporium					5,500*
Genovese	3,107	3,427	3,727	4,071	4,404
Walgreens	2,765	2,769	3,063	3,356	3,710
Arbor	2,800	2,913	2,909	3,300	3,513
Fay's	3,112	2,645	2,705	2,878	3,200**
Perry	2,007	2,399	2,477	3,000	3,000
Big B	1,190	1,288	1,322	1,330	1,500
Rite Aid	1,057	1,108	1,149	1,257	1,302*
Medicine Shoppe					577†

*Estimate
**Super drug stores only
†Independents 1 year old and older

Source: Company reports

Expense ratio

(Excluding depreciation and amortization costs)

Company	'85	'86	'87	'88	'89
Drug Emporium					17.4%**
Longs	19.3	19.2	19.8	20.1	20.2
Rite Aid	19.5	19.7	20.4	21.4	N/A*
Arbor	22.7	22.8	23.9	23.8	21.3
Walgreens	24.2	25.0	25.4	24.4	23.8
Perry	27.8	28.2	28.0	26.3	24.2
Big B	24.2	24.3	24.4	N/A	26.0
Genovese	28.1	27.5	26.8	26.4	26.7
Fay's	20.8	23.6	25.8	29.6	27.4
Medicine Shoppe					N/A

*To be announced 4/20/90
**SGA, including depreciation, not counting interest

Source: Company reports

Total corporate sales

(In millions of dollars)

Company	FY ends	'85	'86	'87	'88	'89
Walgreens	8/31/89	$3,162	$3,661	$4,282	$4,884	$5,380
Rite Aid	3/3/90	1,564	1,757	2,486	2,867	3,172*
Longs	1/25/90	1,480	1,635	1,772	1,925	2,111
Perry	10/31/89	552	648	726	667	670
Fay's	1/27/90	445	452	500	527	574
Medicine Shoppe	9/30/89					454**
Big B	2/3/90	175	210	249	271	418
Genovese	2/2/90	223	271	314	366	405
Drug Emporium						354†
Arbor	7/31/89	120	151	215	247	300

*Estimated
**Total retail sales for independent Medicine Shoppes
†Nine months ended 11/30/89

Source: Company reports

Net income

(In millions of dollars)

Company	'85	'86	'87	'88	'89
Walgreens	$94.2	$103.1	$103.5	$129.1	$154.2
Rite Aid	62.5	78.0	144.6	95.2	N/A*
Longs	37.7	38.6	49.2	55.9	61.3
Fay's	2.8	4.1	5.9	10.0	10.4
Arbor	3.6	5.3	5.2	6.5	9.2
Perry	9.6	5.9	(7.9)	(29.9)	7.1
Drug Emporium					5.5**
Big B	4.0	4.5	7.3	7.2	3.7
Genovese	2.9	2.0	4.6	5.5	2.7
Medicine Shoppe					N/A

*To be announced 4/20/90
**Nine months ended 11/30/89

Source: Company reports

Gross margin percentage

Company	'85	'86	'87	'88	'89
Big B	29.2%	29.7%	30.2%	N/A	30.4%
Fay's	23.7	26.8	27.8	29.6%	30.2
Genovese	28.9	29.1	29.7	29.0	29.8
Arbor	28.3	29.2	28.8	28.7	28.6
Walgreens	30.7	30.3	29.9	29.0	28.5
Rite Aid	28.7	28.6	28.0	28.2	N/A*
Perry	31.7	31.1	30.5	26.1	28.4
Longs	24.2	24.1	25.3	24.9	25.0
Drug Emporium					20.6
Medicine Shoppe					N/A

*To be announced 4/20/90

Source: Company reports

Return on equity percentages

Company	'85	'86	'87	'88	'89
Walgreens	21.0%	19.9%	17.6%	19.3%	20.1%
Arbor	38.9	24.4	14.7	16.3	19.0
Medicine Shoppe					18.6†
Fay's	4.6	6.8	10.8	17.6	16.4
Perry	13.3	7.4	*	*	15.3
Longs	13.5	13.3	16.4	18.1	12.3
Genovese	12.7	8.1	17.6	18.2	7.8
Big B	12.5	12.9	12.4	N/A	5.5
Rite Aid	16.6	19.6	28.3	15.8	N/A**
Drug Emporium					N/A††

†Corporate only
*Reported net loss
**To be announced 4/20/90
††To be announced at the end of April 1990

Source: Company reports

The year's acquisitions activity

Company	Acquisition	Store locations
Reliable Drugs	120 former Peoples (Haag) stores	Indiana, Iowa, Illinois and Kentucky
Rite Aid	114 former Peoples (Lane Drug) units	Ohio, Pennsylvania, Indiana
	19 Lane Drugs of New Jersey stores	South-central New Jersey
Eckerd	16 Dunaway Drugs stores	Georgia (Atlanta, northern Ga.)
	10 SupeRx stores from Hook-SupeRx	North Carolina
	7 Hilley's stores	Texas
Thrift Drug	10 stores from SupeRx of Arizona	Georgia
Jean Coutu Group (PJC)	15 Clouthier drug stores from Metro Richelieu of Quebec	Quebec, Canada
Hook div. of HSI	13-store Cavett Rexall	Illinois
Four-person investment and management group	14 Dot Discount Drugs stores from Wal-Mart	Kansas, Missouri, Iowa and Nebraska
Big B	85 Reed Drug stores from Peoples	Georgia

Source: *Drug Store News* research

1989: It was a very good year for acquisitions

Continued from page 49

ston-Salem market, giving the chain two additional stores in Winston-Salem and one in High Point, and brought Eckerd's store count in the state to 183.

HSI's Hook division agreed in October to buy the Cavett Rexall chain, based in Chicago Heights, Ill., giving Hook 13 stores, mainly in the Chicago metropolitan area.

Also last fall, SupeRx of Phoenix sold 10 stores in Georgia to Thrift Drug, which planned to convert them to the Treasury Drug format.

Dot strengthens markets

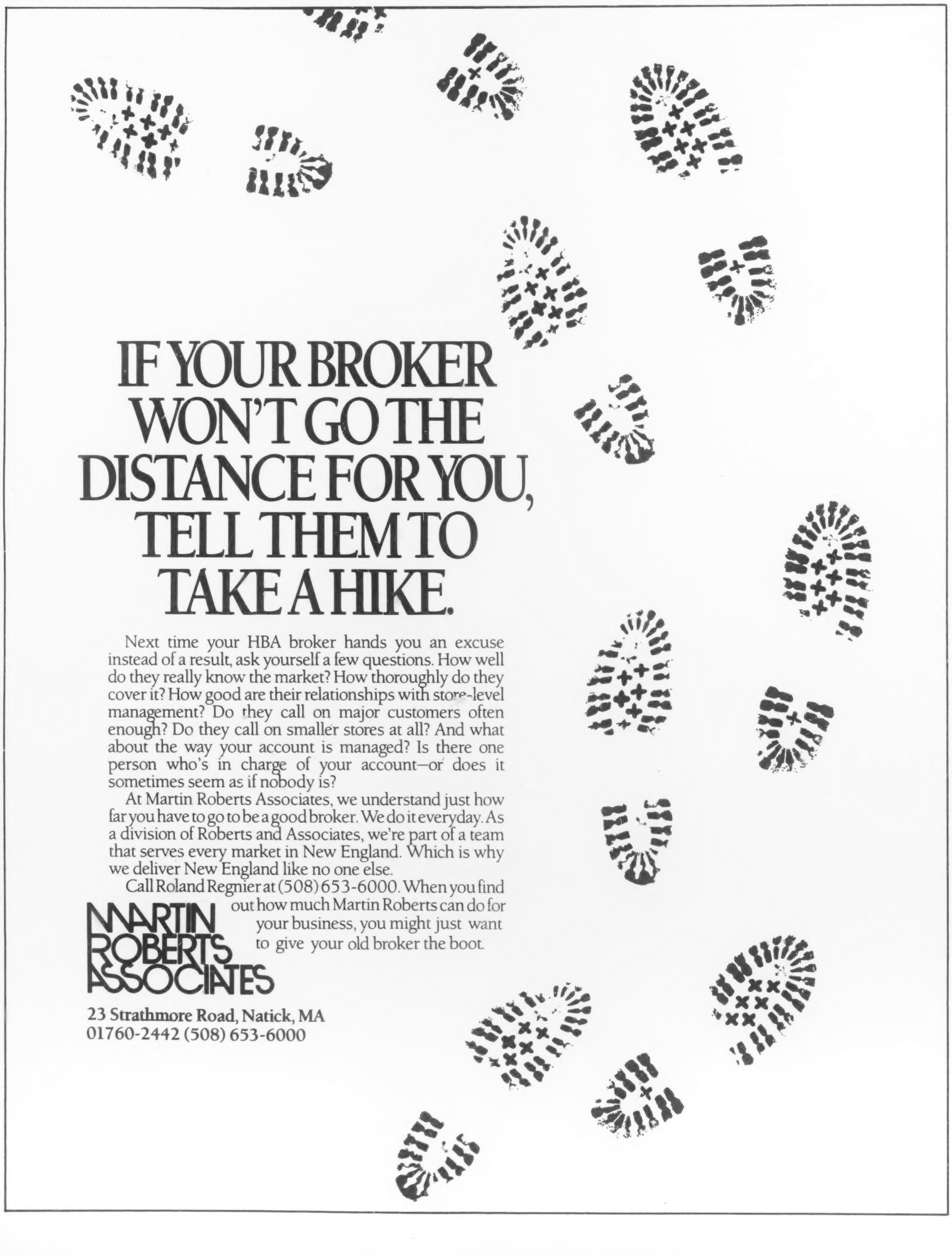
This February, a four-person investor and management group, including former Gray Drug Fair and Medicare-Glaser executive Jerry Gaddis, bought 14-store Dot Discount Drugs from Wal-Mart. Dot currently operates five stores in Kansas City, three units each in St. Louis and Des Moines, Iowa, two in Wichita, Kan., and one in Lincoln, Neb. The new owners said plans are to open more stores in existing markets first and then expand into new markets.

In Canada, the Jean Coutu Group (PJC) bought 15 of 23 Clouthier drug stores from Metro Richelieu of Quebec toward the end of the year.

The nation's largest drug wholesaler, McKesson, looked to Canada early this year for expansion opportunities and moved to acquired Medis Health and Pharmaceutical Services, in a two-phase deal with Provigo Inc. of Montreal.

Medis, based in Kirkland, Québec, is Canada's largest pharmaceutical distributor and the only one with nationwide distribution.

HSI's Hook division agreed in October to buy the Cavett Rexall chain, based in Chicago Heights, Ill., giving Hook 13 stores, mainly in the Chicago metropolitan area.



IF YOUR BROKER WON'T GO THE DISTANCE FOR YOU, TELL THEM TO TAKE A HIKE.

Next time your HBA broker hands you an excuse instead of a result, ask yourself a few questions. How well do they really know the market? How thoroughly do they cover it? How good are their relationships with store-level management? Do they call on major customers often enough? Do they call on smaller stores at all? And what about the way your account is managed? Is there one person who's in charge of your account–or does it sometimes seem as if nobody is?

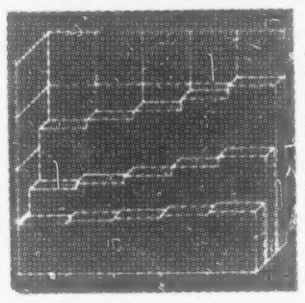
At Martin Roberts Associates, we understand just how far you have to go to be a good broker. We do it everyday. As a division of Roberts and Associates, we're part of a team that serves every market in New England. Which is why we deliver New England like no one else.

Call Roland Regnier at (508) 653-6000. When you find out how much Martin Roberts can do for your business, you might just want to give your old broker the boot.

MARTIN ROBERTS ASSOCIATES

23 Strathmore Road, Natick, MA
01760-2442 (508) 653-6000

Store formats continue to evolve in quest for customers



In ample recognition of the fact that retailing is a constantly evolving process, drug, combo and discount store chains around the nation continue to tinker with their store formats. Their efforts range from slight adjustments in merchandise presentation and mix, to complete store overhauls and the development—from scratch—of completely new floor plans, decor packages, fixturing and departments.

Whatever efforts most chains are making to keep their shopping formats and mixes fresh, their reasons are the same: all are trying to adapt to consumer demands with stores that are convenient, well-merchandised and even fun to shop.

"We're providing a shopping experience, rather than a trip to the drug store," noted Tony Civello, executive vp-stores for Thrift Drug, in a recent talk with *Drug Store News*.

Civello was talking about Thrift's striking new store format, which emphasizes easy pharmacy access, wide aisles and maximum department visibility.

Thrift's new prototype, billed as a "New World of Drug Store Shopping," features a 10-foot-wide central power aisle which connects the store's new V-shaped pharmacy to other core departments laid out in three main shopping themes, called Drug World, Beauty World and Convenience World.

That 8,500-square-foot prototype is one of several completely new formats being rolled out by drug chains and their competitors. Others efforts include Revco D.S., K mart, Wal-Mart and Pay Less NW.

Revco's new format, first unveiled in Bedford Heights, Ohio last spring, is now serving as the model for new stores and retrofits, with some elements of the design being used in many locations. It features angled aisles, a more prominent pharmacy, graphic departmental presentations and lower gondolas for greater visibility and shopping ease.

Pay Less is reportedly posting double-digit gains in its prototype stores, which first appeared in Cameron Park, Calif., early last year. The new format comes in three store sizes for flexibility of real estate opportunities and merchandise presentation; they emphasize pharmacy, cosmetics, toiletries and consumer electronics.

Meanwhile, both Walgreens and SupeRx of Arizona have successfully tested versions of a small-pharmacy format for use in tight urban locations. The tiny stores feature full pharmacy counters and popular OTC products in settings as small as 1,500 square feet.

Both K mart and Wal-Mart are also rolling out new retail formats as they battle for discount store leadership in many markets. K mart's new "Store for the '90s," now in the beginning stages of an accelerated rollout, gives greater emphasis to pharmacy and H&BAs. Wal-Mart, meanwhile, has opened the first examples of its new "vendor store" concept.

Drug chains are feeling the heat of combos, such as Jewel/Osco, who aggressively merchandise core drug store items to heavy traffic.

Food chains are still hot on the combo expansion trail

At last year's annual convention of the Food Marketing Institute, supermarket industry executives spent a lot of time learning how to be better drug and H&BA merchants. No less than five workshops and seminars were devoted to pharmacy, H&BA and general merchandise topics.

At one well-attended seminar, an executive with McKesson Drug Co. predicted that supermarket pharmacies will increase by 20 percent over the next two years. "Almost all of those currently operating in-store pharmacies plan to open more [and] almost a

Continued on page 54

Challenges don't deter off-pricers' expansion plans

Deep-discount drug stores are no picnic to run.

They offer a slew of tough challenges to hardy retailers: razor-thin gross margins as low as 15 percent; formidable inventory carrying costs that sail past $1 million per store; a high break-even point; high real estate costs; and a consumer base which may know little or nothing about the concept (a headache that is fast disappearing as off-pricers penetrate more and more markets throughout the country).

Indeed, the retail landscape of the 1980s was littered with abandoned and short-lived ventures into deep discounting, as drug chains such as Peoples, Pay Less and Shoppers Drug Mart grew tired of the problematical format and sold, converted or closed their off-price stores. The latest to join the list was Total Plus, a chain of five off-price drug stores shuttered by Fantle's Drug Stores.

Even Wal-Mart Stores sold its 14 Dot drug stores to a local management group in Kansas City early this year.

Nevertheless, off-price chains, independent drug store entrepreneurs and drug chains themselves continue to leap eagerly into the deep-discount fray, opening new stores and new markets at a still-furious pace, with nearly 1,000 such stores now open nationwide.

In 1989, at least two more drug chains entered the off-price game with their first deep-discount drug stores—Harco with its first Drug Mart in Tuscaloosa, Ala.; and Genovese building its first two Great American stores on Long Island. The S.E. Nichols discount store chain recently announcedits planned conversion into large-scale off-price outlets named Pharmhouse.

Indeed, the retail landscape of the 1980s was littered with abandoned and short-lived ventures into deep discounting.

In 1989, the nation's top two off-price drug chains, Phar-Mor and Drug Emporium, both broke through the billion-dollar sales mark, and F&M pushed past the $500 million level.

In terms of growth, meanwhile, all three remain on a tear. Phar-Mor boosted its store count another 45 percent last year while driving into new markets like Detroit, Phoenix and Denver. The chain, which now operates in 18 states, also beefed up its position in states like Florida, Pennsylvania, Atlanta and Houston.

Drug Emporium, meanwhile, has stepped up its store-opening pace with plans for as many as 60 new units by the end of next year. The chain operates in 25 states coast-to-coast, and plans to add new stores in markets like Los Angeles, Minneapolis, metropolitan New York, Washington, D.C./Baltimore, and New England.

Also on a fast expansion track is F&M, which has tripled in size in the past five years since moving well beyond its home base in Michigan. The chain unveiled plans to move into Minneapolis last year, while building additional market strength in Baltimore-Washington, Chicago, Detroit and Milwaukee.

Meanwhile, regional off-pricers like Freddy's, Big B's Drugs for Less and Joel & Jerry's turned up the competitive heat in Florida, while Marc's added to its lock on off-price retailing in Northeastern Ohio.

Pharmacy at deep discounters

(Ranked by number of Rx depts.)

Company	No. of stores	Stores with Rx		Computerized depts.	
		No.	%	No.	%
Phar-Mor	165	164	99%	164	100%
Drug Emporium*	80	80	100	80	100
F&M	75	41	55	41	100
Drug Palace	40	40	100	40	100
Freddy's	25	24	96	24	100
Drugs for Less	16	16	100	16	100
A.L. Price	16	16	100	16	100
Dot	14	14	100	14	100
Rockbottom	28	13	46	0	0
Rx Place	11	11	100	11	100
Marc's	19	10	53	10	100
Drug Castle	10	9	90	9	100
Drug World	9	9	100	9	100
Sid's	7	7	100	7	100
Cost Cutters	8	6	75	4	67
Maxidrug	4	4	100	4	100
Price Less	2	2	100	2	100
Ike's	4	1	25	NA	NA
Great American	2	2	100	2	100

*Company-owned stores

Source: *Drug Store News* 1990 chain drug survey

Mass merchandisers with pharmacy

Company	Headquarters	No. of stores in '90	No. of Rx depts.	% with Rx depts.	No. of Rx depts. in '89
K mart	Troy, Mich.	2,167	1,125	52%	1,080
Wal-Mart	Bentonville, Ark.	1,405	950	68	765
Shopko	Green Bay, Wis.	116	116	100	84
Fred Meyer	Portland, Ore.	101	100	99	96
Pamida	Omaha, Neb.	169	46	28	35
Venture	St. Ann, Mo.	76	10	13	12
Fedco	Santa Fe Springs, Cal.	9	9	100	9
Target	Minneapolis	409	0	0	21

Source: *Drug Store News* survey, Chain Store Guides

Leading supermarket companies with pharmacies

Company, headquarters	Total stores	No. with Rx depts.	% with Rx depts.
Kroger, Cincinnati	989	473	47.8%
Safeway, Oakland, Calif.	1,131	415	36.7
Albertsons, Boise, Idaho	501	226	45.1
Jewel Osco, Melrose Park, Ill.	222	141	63.5
Pathmark, Woodbridge, N.J.	142	131	92.3
Vons, El Monte, Calif.	328	117	35.7
H.E. Butt, Corpus Christi, Texas	155	107	69.0
Giant Food, Landover, Md.	147	97	66.0
Smith's Management, Salt Lake City	93	88	94.6
Skaggs Alpha Beta, Richardson, Texas	87	87	100.0
Shop Rite, Wakefern Foods, Elizabeth, N.J.	174	84	48.3
Lucky Stores, Dublin, Calif.	348	78	22.4
A&P Supermarkets, Montvale, N.J.	1,250	75	6.0
King Soopers, Denver, Colo.[1]	66	66	100.0
Safeway Stores, Houston	101	66	65.3
Furr's, Lubbock, Texas	144	64	44.4
Raley's, Sacramento, Calif.	56	56	100.0
Buttrey Food-Drug, Great Falls, Mont.[2]	53	53	100.0
Kash 'n Karry, Tampa, Fla.	116	46	39.7
Giant Eagle, Pittsburgh	106	45	42.5
Tom Thumb/Page, Dallas	73	43	58.9
Grand Union, Elmwood Park, N.J.	304	37	12.2
Farm Fresh, Norfolk, Va.	59	36	61.0
Randall's, Houston	39	35	89.7
Dillon's, Hutchinson, Kans.[1]	61	33	54.1
Wegman's, Rochester, N.Y.	40	32	80.0
Stop & Shop, Quincy, Mass.	116	30	25.9
Schnuck's, St. Louis, Mo.	56	30	53.6
National Supermarkets/Kare Pharmacy, St. Louis	56	30	53.6
Smitty's Super Valu, Phoenix, Ariz.	24	24	100.0
Sack 'n Save, Minyard's, Coppel, Texas	73	24	32.9
Consumers Markets, Springfield, Mo.	37	23	62.2
Publix, Lakeland, Fla.	364	21	5.8
Hannaford Bros., Scarborough, Maine	72	17	23.6
Bruno's, Birmingham, Ala.	220	16	7.3
Dominick's Finer Foods, Northlake, Ill.	90	15	16.7
Erickson Food & Valu Drug, Hudson, Wis.	14	14	100.0
Carr's Quality Centers, Anchorage, Alaska	13	13	100.0
Dahl's Food Markets, Des Moines, Iowa	13	13	100.0
Foodway, Fayette, Ala.	32	10	31.3

1. A division of Kroger
2. A division of American Stores

Source: Chain Store Guides

Top deep discounters

Company (parent)	Headquarters	$ sales (millions)	% change	Stores	% change
Phar-Mor	Youngstown, OH	$1,300	73%	165	45%
Drug Emporium*	Worthington, Ohio	1,050	19	195	16
F&M	Warren, MI	554E	38	75	14
Pic 'N Save (Nat'l Merchandise Co.)	Jacksonville, FL	410E	17	41	0
Marc's	Middleburg, OH	245E	24	19	27
Rockbottom	Port Washington, NY	220E	10	27	4
Freddy's (Melville)	Woonsocket, RI	162	25	25	39
Drug Palace (Rite Aid)	Shiremanstown, PA	81E	4	40	0
Dot (Wal-Mart)	Bentonville, AR	74E	6	14	0
A.L. Price (Perry)	Pontiac, MI	54E	10	16	17
Rx Place (Woolworth)	New York, NY	53E	15	11	37
Drug World (SupeRx)	Cincinnati	39E	22	13	44
Drugs for Less (Big B)	Bessemer, AL	39E	NA	16	45
Cost Cutters (Community Distributors)	Somerville, NJ	36E	NA	8	0
Sid's	Hudson, OH	30E	7	7	0
Joel & Jerry's	Largo, FL	25E	4	6	0
Drug Castle (Brown)	Springfield, OH	24E	20	3	
Price Less	Sacramento, CA	15	45	2	0
Ike's (Super D)	Memphis	15E	25	4	33
Maxidrug (Coutu)	W. Springfield, MA	12E	−20	4	− 20
Great American (Genovese)	Melville, NY	5E	42	2	100

* Company-owned and franchised stores

Source: *Drug Store News* 1990 chain drug survey

E = estimate

Food chains hot on combo trail

Continued from page 53

third of the supermarket chains which do not currently operate pharmacies plan to open some within the next year," noted Eugene Bannon, director of sales planning for McKesson.

Indeed, the nation's food retailers continue to enter the drug store arena in droves, lured by the higher margins and one-stop appeal of Rx, H&BA and GM.

"I can't imagine a circumstance where we'd open a non-combo store at this point," noted Vons spokesperson Mary McAboy early this year.

Vons is part of a growing number of major food chains with pharmacy departments at near-total levels in its stores; other examples include H.E. Butt in Texas, with Rx counters in seven of every 10 of its units; Pathmark, with 92-percent pharmacy saturation; Smith's Food and Drug, with pharmacies in all but five of its 93 stores; and Giant Food, with 66-percent Rx penetration.

Some big food retailers, meanwhile, have pharmacies in all their stores. Among them: Skaggs Alpha Beta, King Soopers in Denver, Raley's in northern California, Buttrey Food-Drug in the Northwest, and Smitty's Super Valu in Phoenix.

The massive shift of food chains into traditional drug store categories has roiled the competitive balance in drug store markets around the U.S. and Canada, despite the fact that many chains have yet to perfect their Rx and H&BA marketing and merchandising strategies. Among the most successful: veterans Raley's, Vons, Albertson's, H.E. Butt and Kroger, and those which have successfully developed both sides of the business, such as American Stores' Jewel/Osco.

Also roiling markets at the end of the 1980s and the beginning of the new decade have been the unchecked expansion and consolidation going on in the supermarket industry. The breakup of much of Safeway in the late 1980s, for instance, created a slew of new regional competitors and gave Vons entry into Southern California.

Many combo store operators have accelerated their growth plans for the 1990s. Safeway, for instance, has launched a major spending program to open and renovate stores, despite still-high debt levels following its LBO four years ago.

In the mid-Atlantic region, Giant Food is flexing new expansion muscles.

The Phoenix market is also heating up as homegrown Smitty's Super Valu contends with new entrants like Smith's and a host of strong national and regional drug chains. Meanwhile, Jewel/Osco and Dominick's continue in a race to open new combos and superstores in Chicago, while Cub Foods aims new stores at Minneapolis and Atlanta.

Retail diversification of major retail chains

Company	Store type	No. of stores 1988	1989
Harco	Auto parts	24	29
Medic Discount Drug	Home health	1	1
May's	Deep discount	4	5
Walgreens	Home health	4	4
Jean Coutu	Deep discount	3	5
Eckerd	Eye care superstores Optical Express photo labs	14 81 64	29 71 126
Medi-Save	Optical	3	4
Douglas	Optical	2	3
Rix Dunnington	Deep discount	1	1
Thrifty/White	Card shops	2	2
Genovese	Deep discount Photo supplies	1 1	2 1
Big B	Home health Deep discount	5 11	5 16
Peoples	Home health	2	2
Rite Aid	Deep discount Book stores Dry cleaning	28 40 0	40 47 152
Fay's	Auto parts Stationery Drug store w/o Rx	14 12 1	24 17 1
Thrift	Home health	4	5
Shoppers Drug Mart	Deep discount Convenience foods Home health	11 16 15	11 24 17

Source: *Drug Store News* 1990 chain drug survey

Computerization helps chains control costs, stay competitive

Drug chain executives are increasingly eyeing technology as the best way to control costs and sharpen their competitiveness in the '90s.

Chains are finding applications for technology throughout their businesses, from store aisles to the back office and the warehouse. Clearly, the trade is in the discovery phase and it will be some time before retailers realize the full potential and benefits from POS scanners, automated warehouse systems, electronic data interchange and more.

POS advancements

The greatest advancement made by drug chains in 1989 was in point-of-sale technology. Many store operators completed their tests of systems, made their choices and rolled out, generally favoring systems by IBM and NCR.

The good news for mid-sized store operators: prices of POS systems have come down to the point where they make economic sense.

Doubled installation

Thrifty Drug, among the larger chains, is a good example of a large chain committing further to technology: it plans to double IBM POS systems in 1990, the second year of its rollout, and is developing ways to analyze data and reach effective merchandising conclusions.

Thrifty had 30 stores with scanning last April, and by this March, 160 installations, or 19.8 percent of its store base.

Overall, drug chains roughly doubled the installations of new file-based POS systems with scanning since last April. As of this March, 23 chains had scanning systems, compared with 17 chains last April. During this period, installations rose to 2,688 from 1,213.

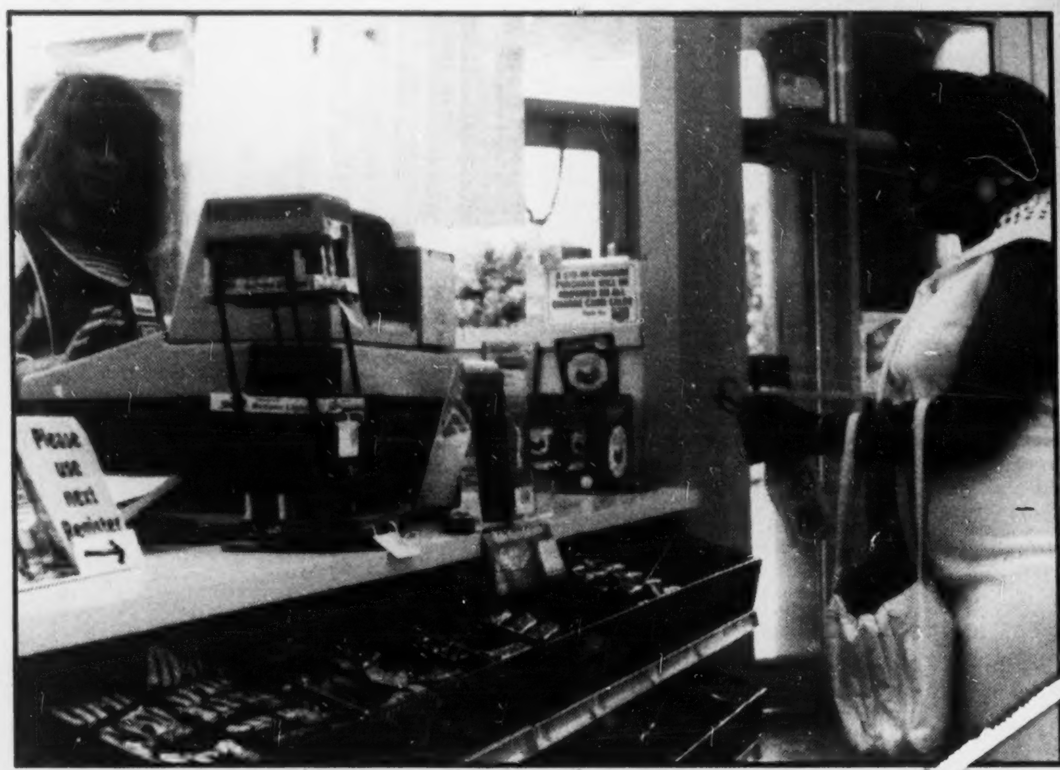
For its part, F&M, the deep discounter, became the first chain to go 100-percent-POS, using a NCR Tower system and 2126 POS terminals. A year ago, F&M was the only chain to have over 50 percent of its stores scanning; by last month, four other chains had also passed the halfway mark.

Pay Less Drug Stores NW scans in 205 stores, or 69.3 percent of the chain; Fay's Drug, with 96 installations, scans in 55.5 percent of stores; Thrift boasts a 71.4-percent installation rate, at 337 stores; Fantle's equipped 45 stores, or 60.8 percent of its base.

Other large gainers were Walgreens, which went from 12 stores to 188 (12.7 percent of the chain); Revco, 70 stores to 480 (25.4 percent), and Big B, 100 stores to 145 (48.8 percent).

Continued on page 65

Overall, drug chains roughly doubled the installations of new file-based POS systems with scanning since last April. As of this March, 23 chains had scanning systems, compared with 17 chains last April.



SASI terminals used by Rite Aid are largely eliminating item price marking, and they allow central price changes and ease cash balancing at the end of each day.

Top warehousing drug chains

(Ranked by 1990 distribution center square feet)

Company	1989 No. of DCs	1989 Total sq. ft.	1990 No. of DCs	1990 Total sq. ft.
Walgreens	7	2,378,000	7	2,378,000
CVS	3	1,500,000	4	2,075,000
Revco	9	2,454,322	8	2,070,622
Eckerd	6	1,860,000	6	1,860,000
Thrifty	7	1,720,000	8	1,840,000
Rite Aid	5	1,598,000	5	1,389,000
Peoples	8	1,663,000	5	1,023,000
Pay Less NW	2	1,000,000	2	1,000,000
Fay's	2	640,000	2	730,000
Thrift	3	668,572	3	668,572
Fantle's	2	620,000	2	620,000
Longs	4	221,000	4	460,000
K&B	2	453,000	2	453,000
Big B	1	240,000	2	400,000
Snyder's	1	360,000	1	365,000
Wellby	1	280,000	1	280,000
Genovese	1	265,000	1	255,000
Jean Coutu	2	250,000	2	250,000
Reliable Drug			1	250,000
Arbor	1	233,600	1	233,600
Rockbottom	1	200,000	1	200,000
Wil-Car	1	360,000	1	193,000
Harco	1	130,000	2	185,000
Discount Drug Mart	1	95,000	1	160,000
Duane Reade	1	155,000	1	150,000
Standard	1	116,000	1	126,000
Medicine-Shoppe	3	120,000	2	120,000
Kinney	1	120,000	1	115,000
Carl's Drug	1	114,000	1	114,000
Kerr	1	128,000	1	108,000
Taylor	1	100,000	1	100,000
F&M	1	77,000	1	77,000
Crown			1	60,000
Bartell	1	32,000	1	50,000
Bill's	1	49,000	1	45,000
Medic Discount Drug	1	17,000	1	38,500
Thayer	1	37,500	1	37,500
Lewis	1	28,800	1	28,800
Medi-Save	1	28,000	1	28,000
Saskatoon	1	25,000	1	25,000
Douglas	1	33,000	1	25,000
May's	1	15,000	1	20,000
Austin	1	13,000	1	13,000
Snyder Bros.	1	3,000	1	3,000
Medicap	1	1,500	1	1,500
American	5	1,420,945	7	N/A

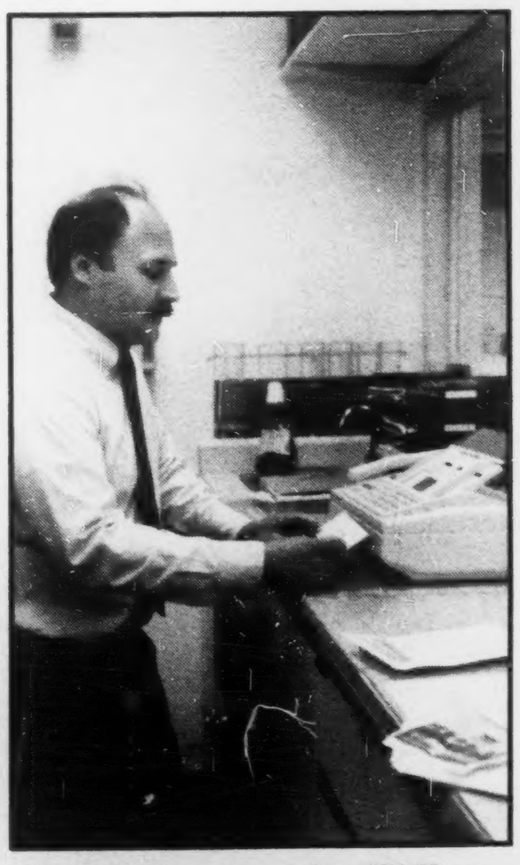
Source: *Drug Store News* 1990 chain drug survey

Pharmacy computers in chain drug stores

Company	No. of Rx stores	No. with pharmacy computers	% with pharmacy computers
Rite Aid	2279	2279	100.0
Revco	1888	1888	100.0
Eckerd	1605	1605	100.0
Walgreens	1429	1429	100.0
Hook-SupeRx	974	974	100.0
Medicine Shoppe	821	739	90.0
Thrifty	808	808	100.0
American	675	675	100.0
CVS	582	582	100.0
Peoples	486	486	100.0
Thrift	472	461	97.7
Big B	291	291	100.0
Pay Less NW	290	290	100.0
Longs	248	248	100.0
Perry	215	215	100.0
Fay's	174	174	100.0
Jean Coutu	164	18	11.0
K&B	150	150	100.0
SupeRx of Ariz.	117	117	100.0
Medi-Save	116	97	83.6
Reliable	112	112	100.0
Super D	102	102	100.0
Genovese	96	96	100.0
Arbor	93	93	100.0
Kerr	93	93	100.0
Harco	89	89	100.0
Drug Emporium*	80	80	100.0
Lawton's	74	60	81.1
Fantle's	69	69	100.0
Medicap	68	53	77.9
Snyder's	61	61	100.0
Thrifty/White	58	58	100.0
Taylor	52	52	100.0
Carl's	49	49	100.0
Standard	45	45	100.0
Wellby	41	41	100.0
F&M	41	41	100.0
SGC Drug Store Div.	33	33	100.0
Duane Reade	33	33	100.0
Thayer Pharmacies	31	31	100.0
Kinney	31	31	100.0
Bartell	31	31	100.0
Discount Drug Mart	27	27	100.0
May's	25	25	100.0
Bill's	25	25	100.0
Medic Discount Drugs	21	21	100.0
Crown Drugs	21	21	100.0
Saskatoon	20	20	100.0
A.D. Clark	19	19	100.0
Marc's	19	10	52.6
Douglas	16	16	100.0
Austin	9	9	100.0

*Company-owned stores only

Source: *Drug Store News* 1990 chain drug survey



Some chains are using FAX machines, such as this one in a Giant Food store, to communicate with vendors and shorten order/delivery lead time.

Drug chains charge full-tilt into technological age

Continued from page 56

The automation of the checkout is just the start. MIS execs began grappling with how best to use the vast data collected. As Dan Jorndt, Walgreen's president and chief operations officer, told *Drug Store News* recently, using the sales data collected at POS registers was like taking a drink from a fire hose.

The automation of the checkout is just the start, as execs grapple with how to use the vast data collected.

Data usage goals

Chains have begun to form analysis reporting channels and are testing decision support systems, computer programs that meaningfully organize data so it is easily interpreted and actionable.

One goal: a perpetual inventory system, in which daily sales data and purchase records are analyzed and orders are created regularly and automatically.

But the store is only part of the equation. Chains are exploring ways to link all the stations involved in buying and selling.

Walgreens, for instance, continued developing its Strategic Inventory Management System (SIMS), which will blanket all aspects: stores, warehouses, buyers and vendors. SIMS will be a virtually paperless system that will give a user "visibility into the merchandise pipeline from vendor to store," a Walgreens executive said. It also speeds ordering, shipping, receiving and paying for merchandise.

Hand-helds are hot

Hand-held terminals brought more functions to store aisles and backroom receiving areas. Chains began testing hardware and software by Telxon and Symbol/MIS that goes beyond the shelf order entry function that chains have performed for many years with hand-helds.

Increased computer capacity allowed intelligent order entry, where the associate can call up data on the date and amount of the most recent order.

Chains must have systems for shelf price audit to ensure that tag prices match those in the price look-up file of the POS system. They have tried both "batch" and radio frequency technology systems to do this.

Several major chains have been using hand-held computers and radio frequency for receiving direct-store-delivered products. They smooth the receiving function, and enable associates to call current data on purchase orders and deals, assuring that delivery terms correlate with orders.

EDI inevitable

Handhelds have allowed electronic data interchange (EDI) in the back room, which several chains have tested with selected vendors for general purchasing, with the goal of eliminating paper, saving labor and compressing the order cycle. Following the leads of the supermarket industry and drug wholesalers, efforts by Eckerd, Walgreens and Revco indicate that EDI, while in its infancy, will inevitably be implemented throughout the industry.

A key choice facing retailers will be how to make the links. Will chains develope proprietary links with a select number of their largest vendors, which may lock out others using incompatible data formats?

Or will they pay to use valued-added networks (VANS), many of which can link one partner with a wide universe of others by translating into standard formats? Both proprietary links and VANS are being used.

More chains took steps to automate third-party verification and adjudication at the pharmacy by installating systems that allow the pharmacist to resolve eligibility in real-time when the claimant is in the store, and to slash the lead time between claim submittal and payment.

Computer files have replaced hard paper copy at Walgreen's Flagstaff, Ariz., warehouse. A receiver (above) prints a pallet tag that will tell a stocker the quantity of merchandise and its assigned warehouse location.

Drug chains with scanning

(Ranked by percentage of stores equipped)

	No. of stores	No. with scanning	% with scanning
Rite Aid	2353	599	25.5
Revco	1888	480	25.4
Thrift	472	337	71.4
Pay Less NW	296	205	69.3
Walgreens	1484	188	12.7
Thrifty	809	160	19.8
Big B	297	145	48.8
Peoples	486	140	28.8
Fay's	174	96	55.2
F&M	75	74	98.7
Fantle's	74	45	60.8
Eckerd	1630	12	0.7
CVS	789	9	1.1
Genovese	96	7	7.3
Kinney	31	7	22.6
Lewis Drugs	7	5	71.4
Saskatoon	20	5	25.0
Discount Drug	27	3	11.1
Gary's Discount	3	3	100.0
Arbor	93	2	2.2
Longs	248	2	0.8
Drug Emporium	80	2	2.5
Wellby	41	1	2.4
Standard	60	1	1.7
Snyder's	62	1	1.6

Source: *Drug Store News* 1990 chain drug survey

Rite Aid followed Eckerd in adopting Health Net/2, by Stratus Computers and Shared Financial Systems, so third-party files could be kept in-house on the fault-tolerant system.

K&B Drugs found another use for the two companies' hardware and software: processing claims from the large army of K&B credit card holders.

The on-line, in-house system, which is accessed by Verifone terminals in the stores, cut claims processing time to a day from a week by replacing a paper-based credit card draft system.

Shrink control is being addressed with electronic article surveillance systems by Checkpoint, Knogo and Sensormatic. Drug chain employees typically tag selected items with electric circuits, which are deactivated at checkout.

Meanwhile, civil recovery became an increasingly interesting option for recovering damages from theft, and preventing theft. At least one major chain developed a pc-based program to operate its own recovery office, where status records of pending cases must be carefully tracked.

Most chains haven't gone beyond the picturing stage. . . many will use space management services.

Chains became more involved in computer space management, as some opted to buy their own systems. The systems promise to speed planograming and, as POS systems provide store-by-store sales data, create more varied and targeted shelf sets.

Most haven't gone beyond the picturing stage to analysis, and many will continue to use vendors' space management services. A drawback of systems has been the difficulty in building product dimension databases, and in gaining accurate sales and profit data. Eventually, the systems promise to strongly boost "micro-marketing" at the store level, allowing more precise inventories.

Electronic merchandising

Not all automation efforts centered on cost control. Chains' willingness to test the growing choices in electronic merchandising machines shows these will continue to spark interest in the 1990s.

POP Radio's in-store radio system has become a fixture on the drug scene, and enjoys wide use. Its periodic product advertisements in the disc jockey radio format can produce significant sales increases, buyers said.

Some chains began using the Pharmacy Information Center by McKesson Corp. and Medical Strategies, a touch screen that offers customers drug information. Phar-Mor used an interactive video kiosk, as did Woolworth's Woolworth Express H&BA stores. Yet, some chains questioned the kiosks' large sizes and prices.

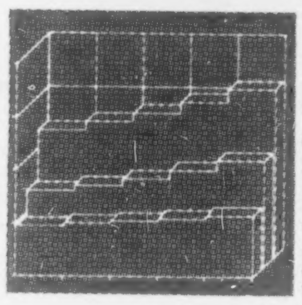
Noxell unveiled its now widely-used and praised Clarion Beauty Computer, which provided micro-processed answers to customers' questions about the UltraPure Skin Care line.

Other interesting electronic devices were taken up by supermarkets. Systems such as "silent radio" LED boards, and electronic messages on shelves and carts, were put into use at food chains.

RxPress is Walgreens' vehicle for areas whose population density cannot support a full-scale drug store, and could pave the way into new markets.

Service in cosmetics, a cornerstone of the chain's mix, helps induce extra sales and explain how shoppers can best use the wide assortment of SKUs carried.

Walgreens pushes ahead with technology



DEERFIELD, Ill. — The reigning champion of chain drug retailing continues to act more like the hungry, aggressive challenger than the undisputed heavyweight titleholder it is.

Walgreens will spend $200 million this year to fund store growth and renovation, technology projects and completion of a new, $40-million distribution center in southern Illinois.

That figure marks a 70 percent hike in capital spending over the previous fiscal year, and typifies the aggressive pattern Walgreens has displayed over the past decade. Since the mid-1980s, the chain has averaged about 100 new stores a year, completely renovated and upgraded most of the rest of its store base, and spent huge sums to automate every aspect of its business.

Thus, Walgreens is a "new" retail entity in many senses of the word.

Walgreens ended the fiscal year with the retirement of one of the most effective architects of growth and renewal the chain drug industry has ever produced, president Fred Canning. It begins the new decade with a new president and chief operating officer, 48-year-old Dan Jorndt.

Jorndt is a 27-year company veteran and pharmacist who worked his way up the operations ladder before serving as treasurer beginning in 1985.

Walgreens at a glance

Name: **Walgreen Co.**
Headquarters: **Deerfield, Ill.**
Officers: **Charles R. Walgreen III, chairman and ceo; L. Daniel Jorndt, president and chief operating officer.**
Sales: **$5.4 billion**
Store count: **1,515 units as of Feb. 28, 1990.**
Average store size: **9,500 square feet (selling)**
Markets: **Midwest, Southeast, Southwest, Northeast, West Coast**
Highlights: **Named Dan Jorndt president; exceeded $5 billion in revenues; progressed with SIMS, scanning, and store communications projects; began construction of new distribution center.**

Jorndt inherits a retail powerhouse of more than 1,500 drug stores operating coast-to-coast, and company insiders say he's up to the job of keeping the company on top of its trade class.

Walgreens has been at the top of the industry throughout the 1980s, capping off the decade with $5.4 billion in sales last year and profits of $154 million, up nearly 20 percent from the previous year. Same-store results were up a solid 9.5 percent for the year.

Pharmacy sales, meanwhile, should top $2 billion this year, and the company is shooting for $7 billion in total store sales by next year.

That kind of growth stems from an on-going and aggressive program of growth and self-improvement at Walgreens. The mix is under a constant microscope, with teams reviewing items' performances and updating planograms periodically.

The site selection process is perhaps the most aggressive—yet most painstaking and careful—of any drug chain. Walgreens is growing at a 100-store-a-year clip throughout the country, yet every proposed store site considered by the real estate committee undergoes a ruthless review process—not only by middle managers but also by top Walgreens officers.

The chain's growth prospects are enhanced by several key factors. Among them is a flexible approach which allows the chain to open stores in a variety of settings, including freestanding, strip centers, and dense urban areas. The chain continues to test its new, tiny RxPress format—which features a full pharmacy and a solid mix of OTC items in about 2,000 square feet—as a new way to fill in tight urban markets.

Beginning in Wisconsin, Walgreens has also begun testing expansion into small towns with populations of around 10,000—a market once considered too sparse to support a unit.

Meanwhile, Walgreens is in the middle of a furious effort to upgrade its retail automation systems through its SIMS project (Strategic Inventory Management System), now in its third year of development. Some 100 programmers, analysts and other data processing experts have been dedicated to completing the massive SIMS project within the next couple of years.

When they're done, Walgreens will have a "closed-loop" system for buying, moving and managing inventory. The loop will link together receiving clerks, lift truck drivers, buyers and others through scanners and computer terminals.

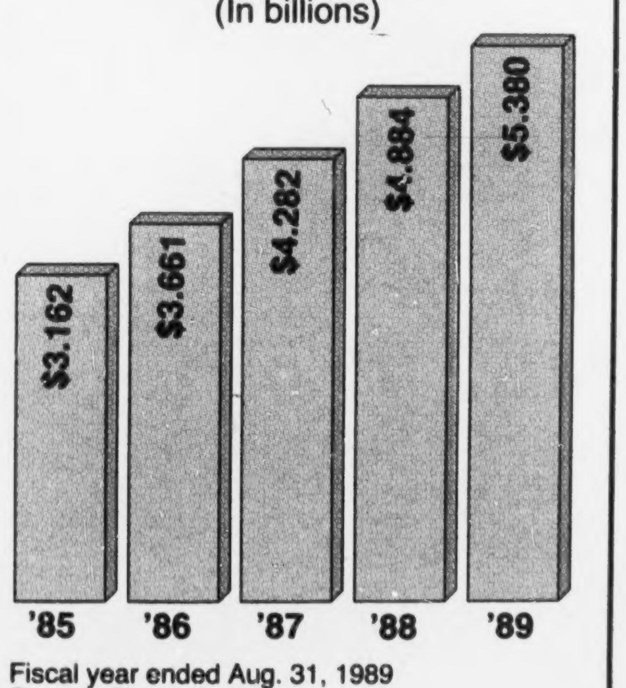
SIMS will include a paperless receiving and "put-away" system in all nine warehouses, the eventual elimination of labor-intensive price-stickering of merchandise in the stores, a vastly improved method of tracking and locating every item of inventory from the time it comes into the warehouse, and a much faster and more responsive system for supplying stores.

SIMS will also give buyers access to a wealth of information with which to make purchase decisions, including not only movement history on each item, but also cost/benefit formulas with which to decide quantities and timing of purchases.

SIMS is linked to another major automation effort at Walgreens: the accelerating rollout of checkstand scanners. Walgreens has allocated roughly $100 million for scanners, and finished the year with some 200 stores scanning in Fort Wayne, Ind. and Chicago. Execs say scanners are due chainwide by the end of next year.

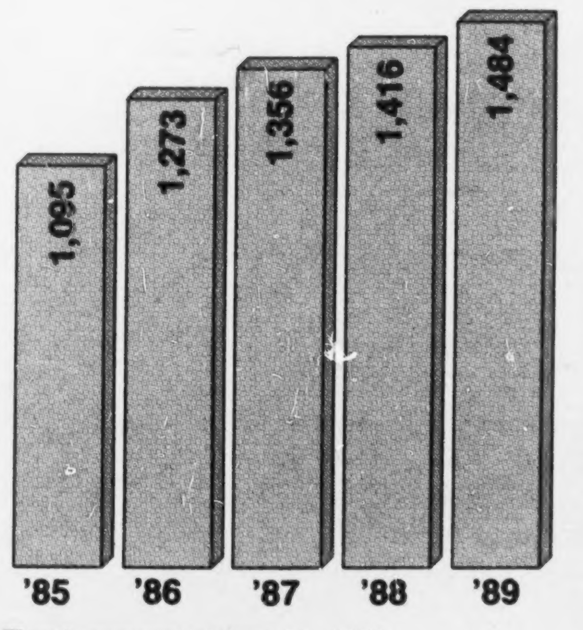
When those automation projects are completed, Walgreens is shooting for a major reduction in its inventory carrying costs and a concurrent boost in turns. "Our inventory levels are at more than $1 billion," Fred Canning told shareholders at his last annual meeting as president in January. "With SIMS, we hope to shave $200 million off that."

Walgreens five-year sales trend
(In billions)



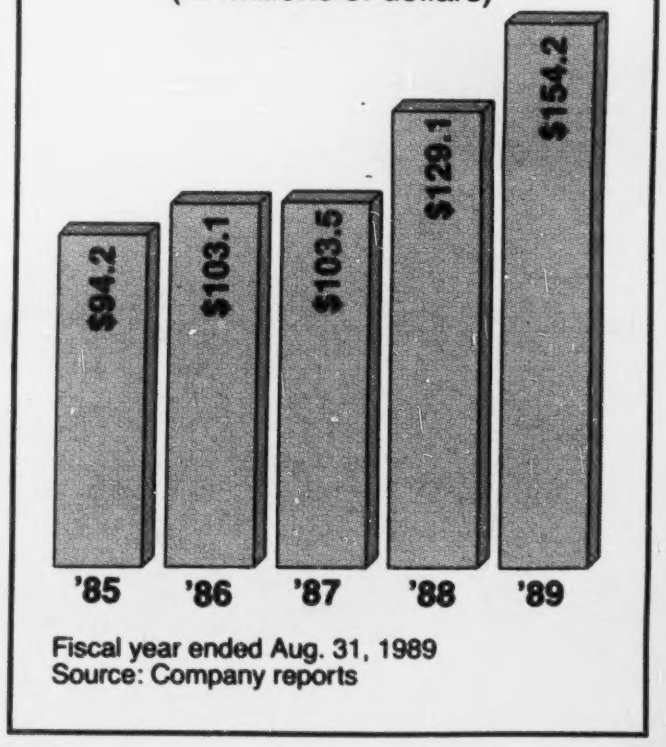
Fiscal year ended Aug. 31, 1989
Source: Company reports

Walgreens five-year store count trend



Fiscal year ended Aug. 31, 1989
Source: Company reports

Walgreens five-year earnings trend
(In millions of dollars)



Fiscal year ended Aug. 31, 1989
Source: Company reports

American sales, profits up despite management shift

OAK BROOK, Ill. — American Drug Stores ended its fiscal year on a positive note, but major management changes continued to sweep the drug chain early in the new year.

The turnover in leadership culminated with the sudden departure of chairman, chief executive and president Dick Scott in early March, less than two years after his recruitment from Longs Drug Stores. Scott's decentralized management style contrasted sharply with that of his predecessor, former Osco Drug president Dick George.

The resignation of Scott was preceded by that of several other high-level executives. Since last fall, American Drug has seen the departure of former president Terry Hanson, advertising and sales development director John Kromer, senior vp-marketing Dominick Cavallo, senior vp-pharmacy operations Richard Boyd, and vp-secretary and general counsel Alan Barker.

Hanson and Kromer left to join George in a new retail venture. Also lured away in that undertaking were several buyers and support people in middle management.

Scott's replacement, new American Drug president Dave Maher, predicted the company would "quickly progress through a brief transitional period and emerge with a renewed commitment toward serving our customers and our people."

Despite the turnover, the chain is well-positioned to enter the 1990s. Last year, American opened 17 new drug stores, and kept pace with ongoing store renovation. A number of powerful new Jewel Osco combos were put on line, including three examples of American Stores' new Jewel Osco of Florida prototype in Tampa Bay, and the more traditional Jewel-Osco combos still going up in the Chicago market and elsewhere.

Turning the corner

Financially, the 675-store division of American Stores seems to have successfully turned the corner in its attempts to halt eroding gross margins and beef up the bottom line. For the fiscal year ended Feb. 3, 1990, operating profits rose another 6.1 percent at American Drug on top of a 31.3 percent rise the previous year, to $159 million, on a sales increase of 6.4 percent to $3.52 billion.

The final quarter of the year pointed to a sharper upturn in the works: operating earnings were up a strong 30.6 percent to $72.2 million, same-store sales were up a decent 5.6 percent and total sales in the drug stores were up 14.4 percent.

The gains have come as a costly repositioning and promotional program at American Drug's Sav-on division in the West began to pay dividends in the form of higher per-store sales and a reenergizing of the division's workforce. Merchandise levels in the Sav-on stores and service were also given a boost.

Jewel Osco combo prices drug-store merchandise sharply to build extra sales from its large shopping base.

American Drug's Osco division, based in Oak Brook, also contributed to the bottom line with steady if modest growth in mature stores and the successful introduction of new Jewel/Osco combo stores in Chicago and elsewhere. The successful blend of Jewel and Osco, and the fine-tuning of that combo format by merchandising and marketing strategists on both sides of the stores, has made for one of the industry's most powerful combo weapons.

Both the Sav-on and Osco divisions have also been recharged with the shift in decision-making authority from the central office down to regional offices, district offices and stores. That decentralization of management and return to a more divisional approach by the company, spearheaded by Dick Scott, was aimed at putting stores in each division in closer touch with their own markets and making the central office more a support function for volume buys, advertising and marketing support, corporate strategy and distribution.

Noted retail analyst John Kosecoff of First Manhattan Co. in a recent report on American Stores, "Centralized merchandising failed to win over customers in California, where Sav-on had been erratically managed since its 1981 acquisition by Jewel. The Sav-on name was restored in 177 stores in California and Nevada, and we believe that in the first half of 1989 its operating profits were wholly reinvested in the form of lower prices and increased advertising."

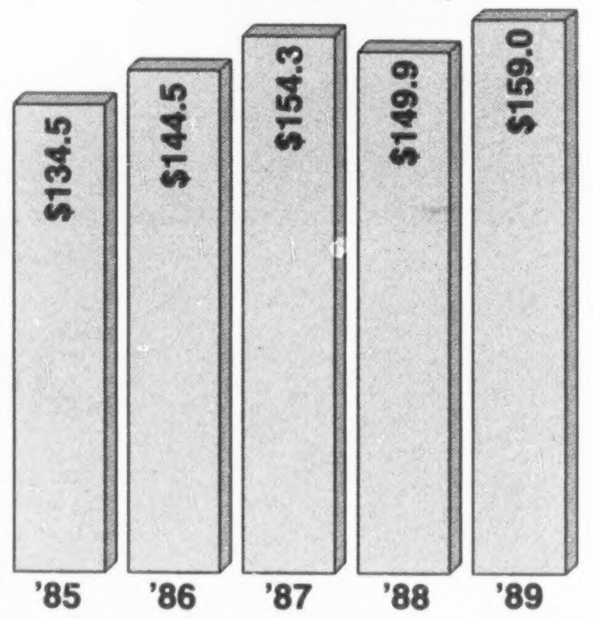
At the same time Scott was leading the charge for decentralization, however, American was trying to finalize other aspects of the consolidation of Osco and Sav-on begun by Scott's predecessor, Dick George, in order to cut operating costs and boost economies of scale. Last year, Scott, Boyd and other executives formerly based at American Drug's Western headquarters in Anaheim, Calif., were moved to Oak Brook prior to their departure, as the company centralized corporate functions such as buying, advertising, marketing and customer relations in one location.

American Drug Stores at a glance

Name: **American Drug Stores**
Headquarters: **Oak Brook, Ill.**
Operating divisions: **Osco Drug, Sav-on**
Officers: **Dave Maher, president; Mike Baird, senior vp-operations.**
Sales: **$3.5 billion**
Store: **675**
Average store size: **21,376 square feet (16,684 selling)**
Market: **Midwest, New England, Southwest, West**
Highlights: **Major management shift; consolidation of headquarters operations in Oak Brook; restoration of local marketing strategies for Sav-on and Osco; boost in Sav-on market share.**

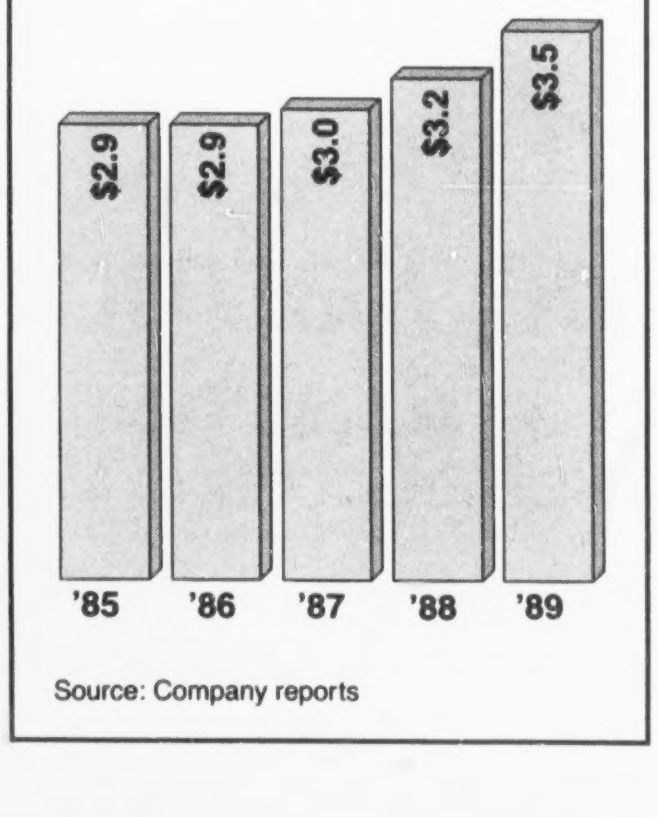
Under Dick George's leadership, a revitalized Sav-on began opening new stores again in Southern California.

*American Drug five-year earnings trend**
(In millions of dollars)



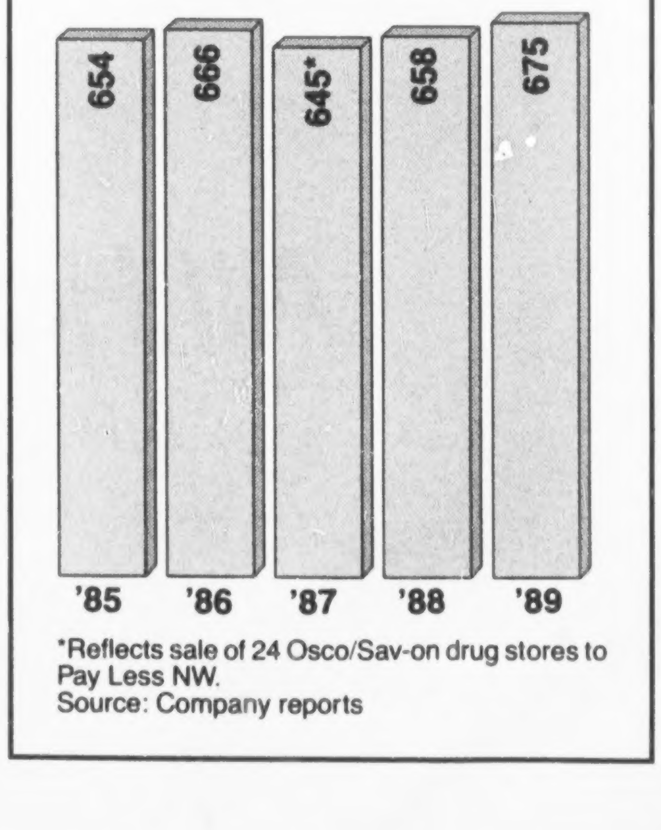
Source: Company reports
*Figures reflect operating earnings, before taxes.

American Drug five-year sales trend
(In billions of dollars)



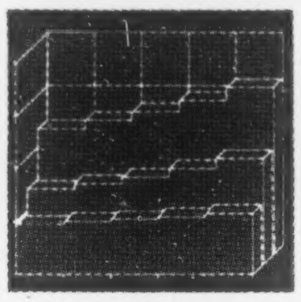
Source: Company reports

American Drug five-year store count trend



*Reflects sale of 24 Osco/Sav-on drug stores to Pay Less NW.
Source: Company reports

Eckerd filling in markets; 50 openings eyed for '90



CLEARWATER, Fla. — Jack Eckerd Corp. added 50 stores in 1989, filling in several markets within its 14-state Mid-Atlantic, Southern and Midwest trading area.

In the fourth year since its leveraged buyout, the period ended Feb. 3, 1990, Eckerd sales were expected at press time to come in 10-percent higher over last year at $3.2 billion.

Eckerd plans to add another 50 stores in 1990, a sign of its fiscal health, as it continues to meet LBO interest debt and generate ample free cash flow for new stores.

Last year, despite interest costs and charges from asset writedowns, Eckerd posted net earnings of $3 million, which it called a "major milestone." In contrast, the company reported a $137.4 million net loss in 1987.

For the nine months ended Oct. 28, 1989, Eckerd posted a net loss of $29.8 million, it reported to the Securities and Exchange Commission. The loss stemmed in part from $106.8 million in non-cash charges, most from writing down the values of assets.

Adjusting for the non-cash charges, cash flow was positive $18.1 million, enabling Eckerd to fund working capital needs from operations and bank credit lines.

Nine month sales were $2.2 billion, 7.1 percent better than last year's comparable period, with same-store sales up 5.8 percent.

Acquisitions aplenty

Acquisitions were led by the purchase of the 16-store Dunaway chain in Atlanta, which gave Eckerd 43 stores in the fast-growing city and market share in excess of 30 percent. Four were closed, and the rest converted to Eckerd's Spartan format. One Marietta, Ga., store is being made to look like a 1930s drug store.

Hilley's Drugs in Eckerd's Dallas district was also taken over. This seven-store purchase fortified Eckerd's top spot in Dallas-Fort Worth, with 117 stores and a 27-percent share, reported *Metro Market Studies*.

Then Eckerd bought HSI's 10 SupeRx stores in North Carolina, gaining ground in metro areas and small towns.

At the end of the fiscal year Eckerd had more than 1,000 units remodeled into the Spartan format, with 144 planned for 1990. The format's revamped pharmacy allows for closer pharmacist-consumer interchange, and has been well-received by shoppers.

For $17.1 million, Eckerd last year bought Revco's Insta-Care Pharmacy Services, which provides prescription services to nursing homes. Combined with Eckerd Prescription Labs, it made one of the nation's largest such providers, with 15 Eckerd labs paired with Insta Care's six.

Eye care centers

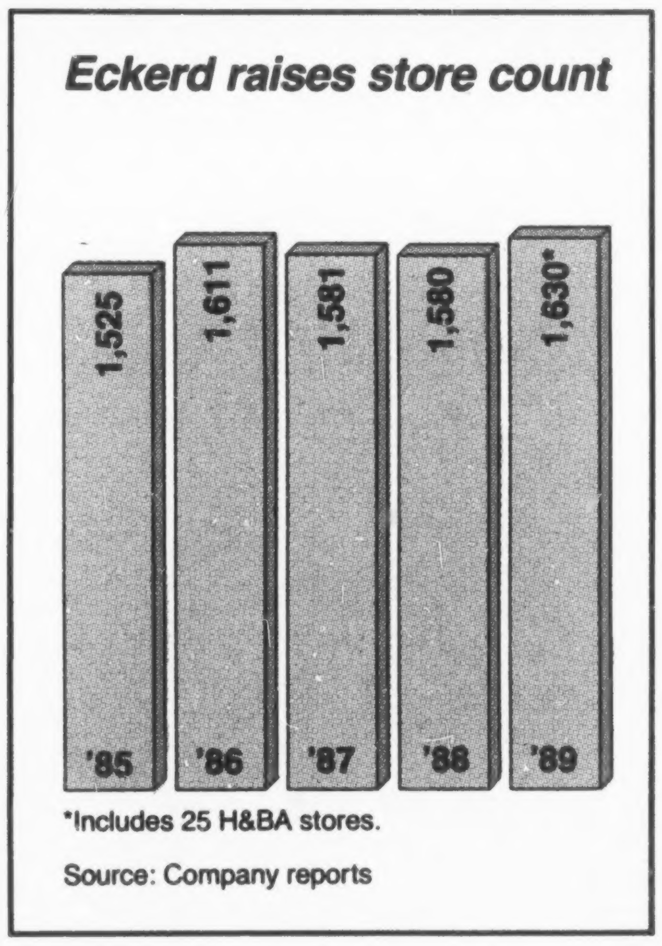
Eckerd's Visionworks Eye Care centers grew from 14 to 29 stores, as the division entered seven new markets, including Washington, D.C., Florida, North and South Carolina. This year, it plans to add 16 more of the "department stores for optical sevices," which feature prescription lens preparation as well as professional care.

Eckerd also continued to build one of the industry's strongest film-photo franchises, as it added 63 Express Photo minilab departments, raising its count to 189.

The effort is strengthened by the expertise developed in the chain's captive labs, with the minilabs advertised as extensions of the "big lab" service. The marketing pitch is quality, and frequent promotion in key tourist areas and sunbelt markets builds exposure.

In separate matters, Eckerd also:

- Launched a program to rewrite its pharmacy software, and increase front-of-store computers to 257 stores, including 12 with scanning.
- Began to seriously test computerized space management, after buying Information Resources' Apollo system.
- Began accepting American Express cards in November, after consumer research indicated demand.



*Includes 25 H&BA stores.

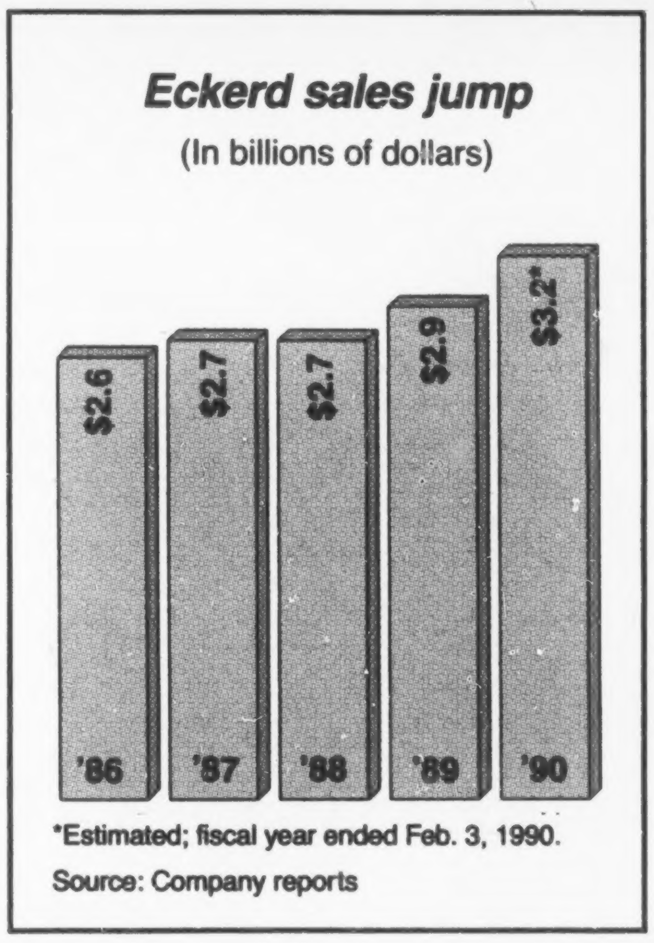
Source: Company reports

Eckerd at a glance

Name: **Jack Eckerd Corp.**
Headquarters: **Largo, Fla.**
Officers: **Stewart Turley,** chairman and president; **Harry Lambert,** president, Eckerd Drug.
Sales: **$3.2 billion**
Stores: **1,630** drug and H&BA stores, **29** Visionworks eye care stores.
Market: **14 South, Southwest and Mid-Atlantic states.**
Highlights: **Reported $18.1 million in positive cash flow** for the nine months ended Oct. 28, 1989. **Eckerd added to its store base through acquisitions, including Dunaway** in Atlanta.

Eckerd Brand Products

By the end of the fiscal year Eckerd had over 1,000 units remodeled into the Spartan format which allows for closer pharmacist-consumer interchange.



*Estimated; fiscal year ended Feb. 3, 1990.

Source: Company reports

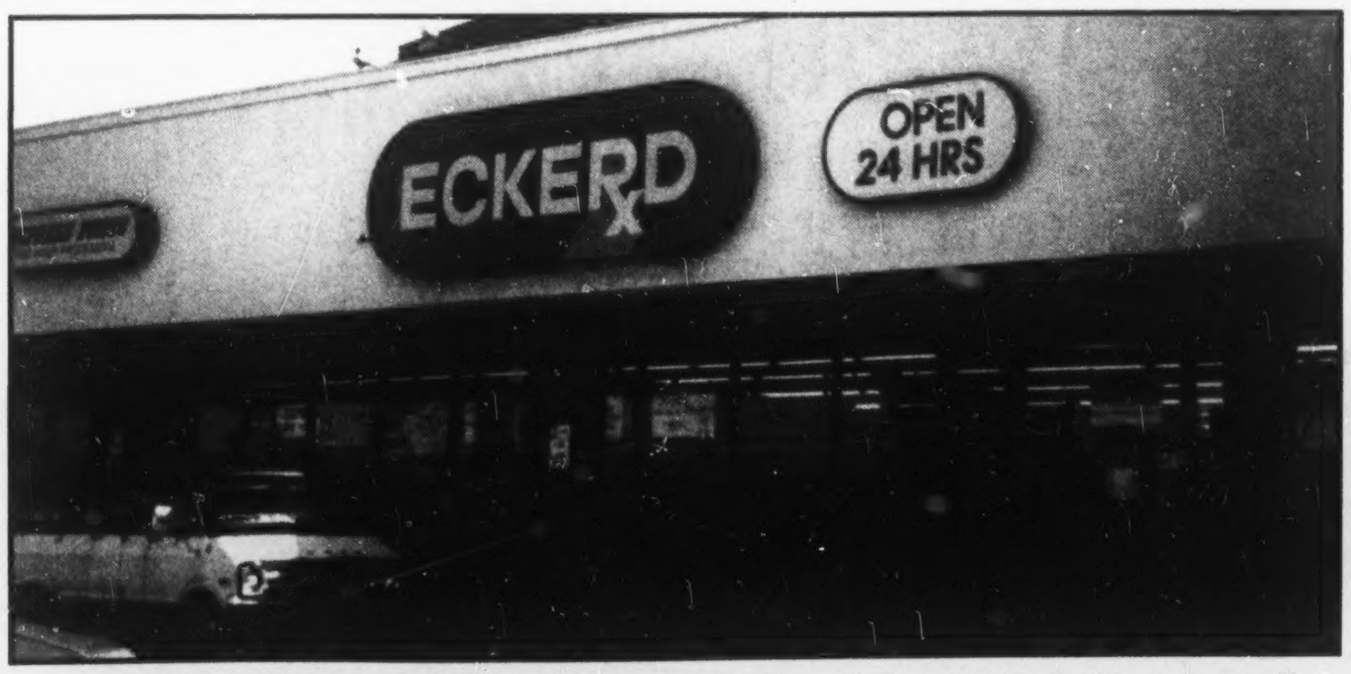
Eckerd's cash position

(Net cash from operations after interest)

Fiscal period	Cash from operations
38 weeks ended Jan. 31, 1987	$ 18.5 million
Year ended Jan. 30, 1988	$127.3 million
Year ended Jan. 28, 1989	$132.6 million
Year ended Feb. 2, 1990	$110.0 million*

*Estimated; fiscal year ended Feb. 3, 1990.

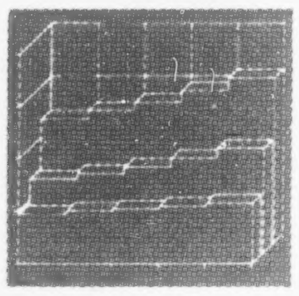
Source: Company reports



Eckerd added 50 stores in 1989 to fill out several markets within its 14-state trading area and plans to add another 50 in 1990.

Visionworks Eye Care centers grew from 14 to 29 stores, as the division entered seven new markets. The stores feature prescription lens preparation and professional care.

Rite Aid buys paying off, chain exits video rentals

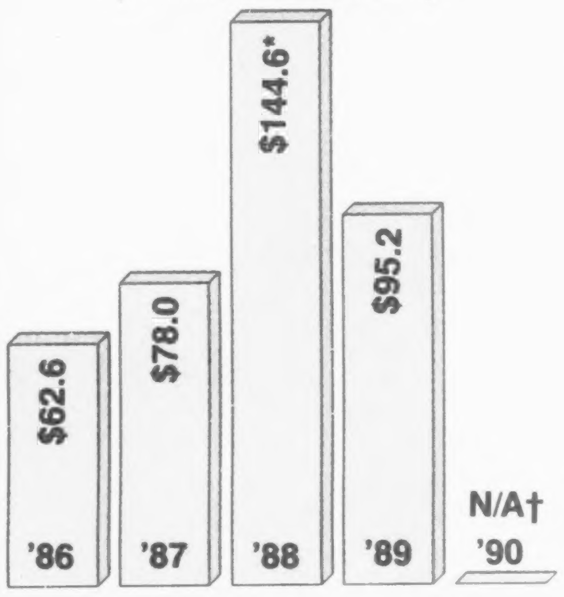


SHIREMANSTOWN, Pa. — Rite Aid Corp. added two more jewels to its crown this fiscal year, with the acquisition of Lane Drug stores from Imasco-owned Peoples Drug Stores last April, and of Lane (a separate entity) stores in New Jersey in September.

The two purchases gave Rite Aid a net 99 and 19 stores, respectively, and strengthened its position in Ohio, Pennsylvania and south-central New Jersey especially. The chain's largest concentration of stores is now in Ohio, and the New Jersey purchase of stores in Monmouth and Ocean counties filled in a strategic strip of that state for Rite Aid.

Rite Aid earnings

(In millions of dollars)



*Includes one-time adjusted gain of $47.1 million from sale of discontinued operations and the cumulative effect of an accounting change of $3.7 million.

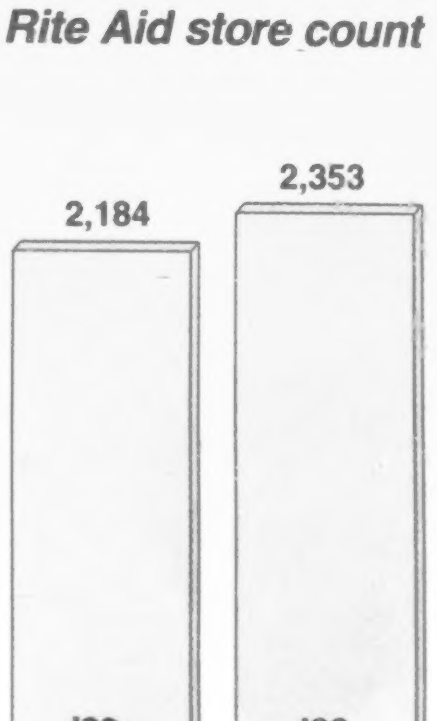
†Fiscal year ended March 3, 1990.

Source: Company reports

In other significant moves, the chain decided to close the video departments in all its stores, taking a one-time $22 million writeoff in the third quarter (FY 1990), and sold its 47 percent interest in Super Rite Foods, reporting an after-tax gain of $18.37 million in the same quarter.

Rite Aid's video rentals business, up against increased competition from video retailers, had been dropping off sharply for some time, and the company moved to pull all 2,002 video departments from its stores by the end of 1989.

Rite Aid store count



Source: Company reports

During the year, the chain made strides in integrating major acquisitions of previous years, including 533 Gray Drug and SupeRx stores in 1987 and the Begley Co. (39 stores) in 1988.

At a meeting with analysts in October, chairman Alex Grass said 470 of the acquired stores had been remodeled to date. Comparable-store sales at acquired stores were "strengthening each month," president Martin Grass told the group.

In the second quarter ended Sept. 2, comparable-store sales at acquired stores increased 3.5 percent (8.1 percent for core stores), and Grass projected they would reach 6 percent (pretax, pre-interest operating margin) by the fourth quarter. He added that the Peoples and Begley stores would probably take longer to hit that level.

Because of similarities of store size and merchandise mix, the integration of the Lane acquisition from Peoples and the smaller acquisition of stores in New Jersey are expected to go more smoothly than the large earlier acquisitions. The stores acquired in south-central New Jersey, in particular, are comparable in size to the chain's prototype and complement the 137 other stores Rite Aid has in the state.

Technological advances

Rite Aid also pressed forward on the technological front, an area it considers a vital investment in its future. During the year, it completed upgrading computer systems in all its pharmacy departments and finished rolling out its front-end Data Collection System (DCS).

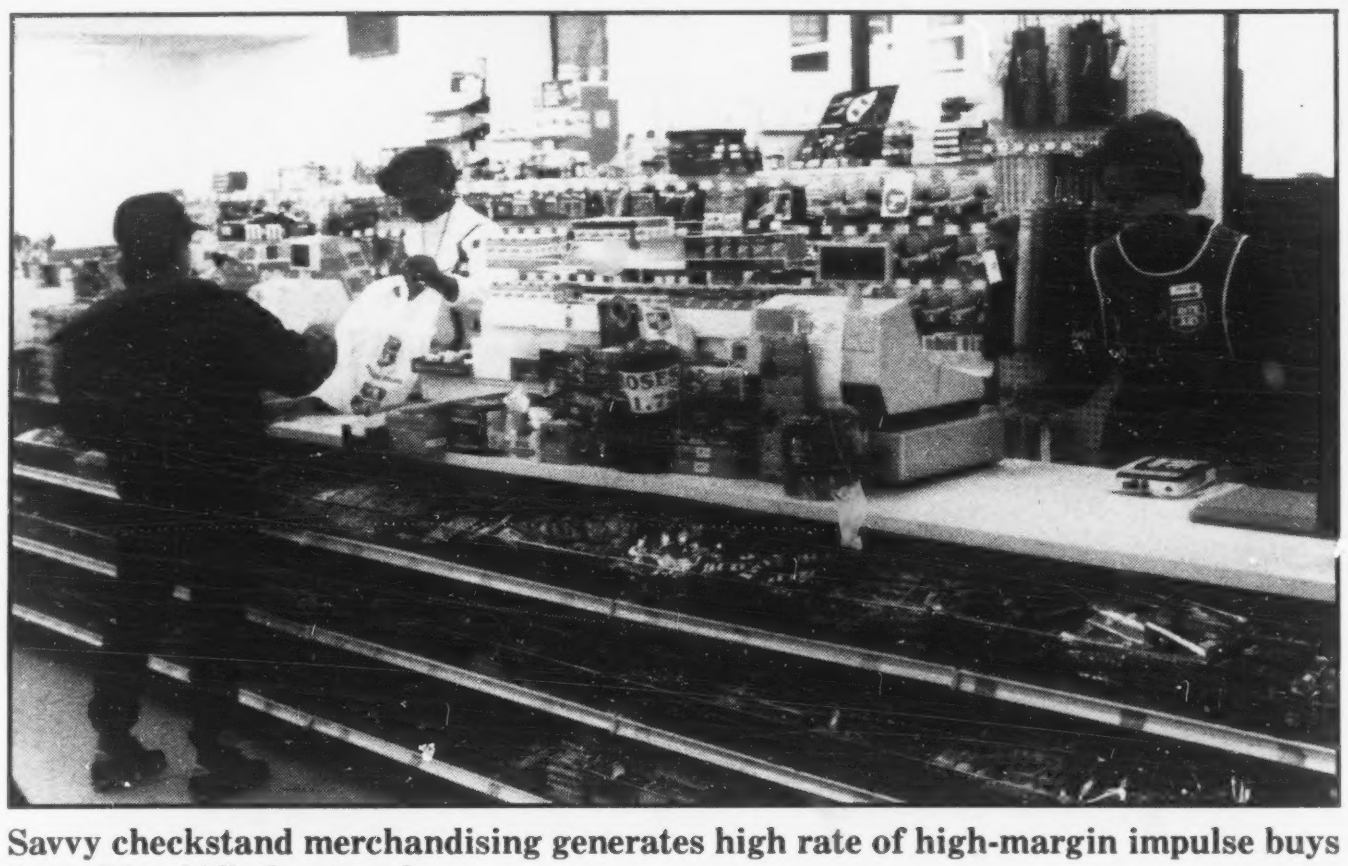
This electronic linkage system sharply reduces the time required to communicate between store managers and headquarters and makes possible instant tracking of most operating and accounting tasks, enabling the chain to monitor individual store performance faster and more accurately. Most important, it eliminates hand-generated reports and related expenses, such as mailing and telephone costs. The number of stores equipped with scanning remained static for the second year, with 599 stores currently equipped.

In pharmacy, Rite Aid continued to roll out an on-line eligibility verification and adjudication system, which allows immediate verification of eligibility and significantly reduces the waiting period between filling a prescription and receiving payment from third-party insurance carriers.

Third-party battle

The company also kept up its battle for what Alex Grass has called "a fairer level of compensation from third-party providers." A company-sponsored study released last June found that 64 percent of the chain's third-party customers purchasing prescriptions made no purchases from the front end of the store.

The average front-of-store sale of the 36 percent of customers who made a front-end purchase was $4.65; for the entire sample of third-party customers, the average dropped to $1.66. "There is simply no truth to the claim that participating in third-party programs in some way attracts other meaningful business," Grass concluded.



Savvy checkstand merchandising generates high rate of high-margin impulse buys from Rite Aid's front-end.

Rite Aid at a glance

Name: **Rite Aid Corp.**
Headquarters: **Shiremanstown, Pa.**
Officers: **Alex Grass,** chairman and ceo; **Martin Grass,** president and chief operations officer
Sales: **Drug segment, $3.012 billion (est.)**
Store count: **2,353 (includes 40 deep discount stores)**
Average store size: **6,700 square feet (5,800 square feet selling)**
Market: **23 states**
Highlights: **Acquisition of Lane Drug from Peoples; closing of video departments in all stores; sale of 47 percent interest in Super Rite Foods.**

That view was reiterated at the time Mike Winkelman joined Rite Aid as vp-third-party programs last summer: "My concern is the same as Rite Aid's and what should be the overriding concern of the industry: To get appropriate reimbursement levels for third-party programs."

Bribery charges

During the year, Rite Aid became embroiled in litigation involving alleged bribery charges brought by the state of Ohio against its president, Martin Grass, and the company. Grass and the company were indicted on charges alleging that Grass had "bribed" former Lane Drug pharmacist Melvin Wilczynski to resign from the Ohio State Pharmacy Board.

The defendants pleaded not guilty Aug. 18, arguing that the payment was a legal buyout of a consulting contract and that the charge stems from a long-standing "vendetta" the pharmacy board has against the chain.

This January, a Circuit Court judge denied a Rite Aid motion to dismiss the case and set Jan. 15 for a trial. The trial date was subsequently rescheduled for April 16.

The chain operated 2,353 drug and H&BA stores on March 3 of this year, compared with 2,184 last year, and completed 237 major remodels during the year, versus 204 major renovations the previous year. It targets opening 110 stores this year and plans to equip 100 with pharmacy computers.

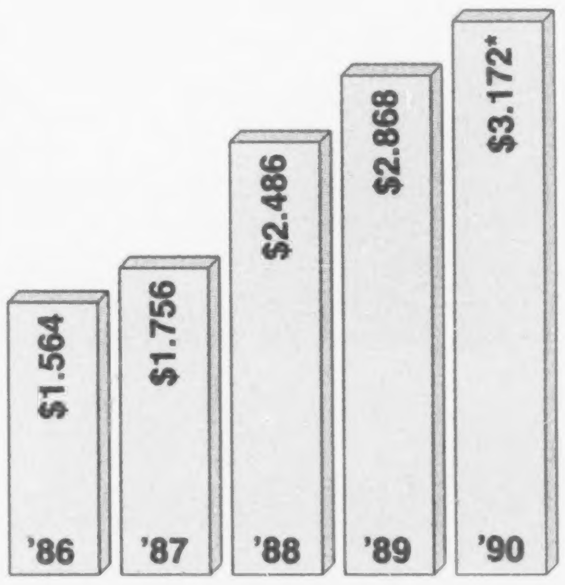
The chain closed the distribution center acquired from Peoples (Lane) and currently operates five warehouses, comprising a total of 1,389,000 square feet.

In its latest posted results, for third-quarter 1990 ended Dec. 2, Rite Aid corporate revenues gained 14 percent, to $791.7 million, and net income increased 35.8 percent, to $22.5 million.

Revenues from the drug store segment were up 13.7 percent, to $749 million for the third quarter, and net income, before the video provision, was $16.5 million, up 12.1 percent.

Rite Aid sales

(In billions of dollars)



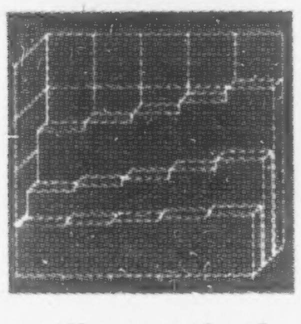
*Estimated. Fiscal year ended March 3, 1990

Source: Company reports

For the nine months, corporate sales gained 13 percent, to $2.3 billion, and net income increased to $67.1 million. The drug segment contributed $2.2 billion in sales for the 39 weeks, compared with $1.9 billion for the period a year ago, and net income, excluding the video provision, gained 4.9 percent, to $56.9 million.

Rite Aid announced it would buy, renovate and enlarge a 160,000-square-foot building in East Pennsboro Township, in metropolitan Harrisburg, to be completed next year.

Revco turnaround gains speed as store base tightens



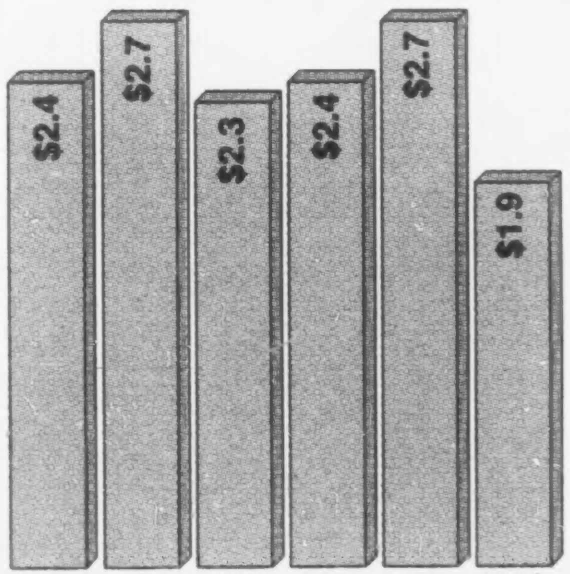
TWINSBURG, Ohio — Like a balloonist gaining altitude, Revco D.S. is shedding weight to rise out of bankruptcy. The financially troubled company—until recently the nation's largest drug chain in store count—has launched a major restructuring that will cut its operations to 10 eastern and southern states and reduce its store network by more than a third.

That decision, announced early this year, is being praised by most of Revco's creditors and supporters as a smart—if painful—move to insure the company's future. It involves the planned sale of 712 drug stores in 17 states as Revco concentrates all its efforts and resources on its denser core markets. Strategically, it will mean that store renovations, technological enhancements and other improvements to operations and merchandising systems will be done that much faster in the 1,161 Revco stores that remain part of the company.

"Since total capital expenditures for the chain will not be reduced, ongoing areas of operation will see remodelings and technological enhancements much earlier than previously planned," noted Revco chairman and ceo Boake Sells after the restructuring plan was revealed. "We will still be a very large chain, with sales close to $2 billion."

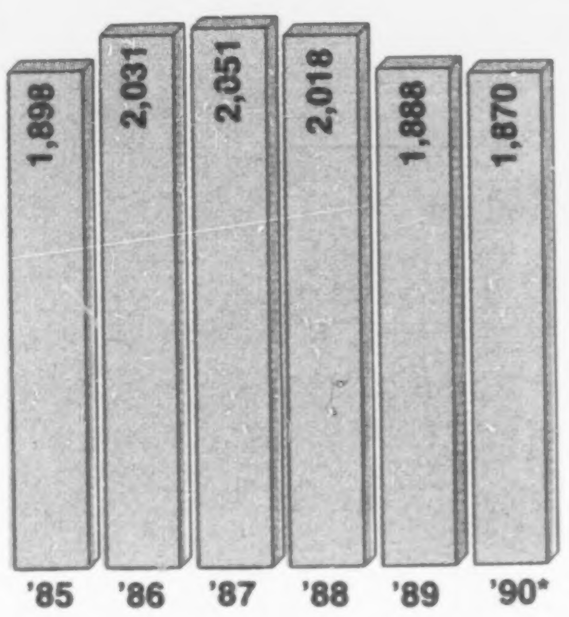
Revco's sales trend

(In billions of dollars)



*First 36 weeks of fiscal 1990, ended Feb. 10, 1990.
Source: company reports

Revco's store count trend



*First 36 weeks of fiscal 1990, ended Feb. 10, 1990
Source: company reports

There is another major potential benefit from the planned selloff, as well: it could add needed cash to Revco's coffers and hasten it out of Chapter 11. The cash would help reduce the company's massive, $1.5 billion debt load and help in the financial restructuring package Revco is trying to put together for its creditors and the bankruptcy court.

Those efforts continue to enjoy a generally high level of support from both the creditors and the court. Revco continues to gain court-approved extensions of its exclusivity deadline for filing a financial reorganization plan; the latest such extension, granted in late February, gives the company until July 31 of this year to file such a plan, and until Oct. 31 to obtain approval of the plan from its creditors. During that time, outside bidders interested in acquiring a stake in the company and filing their own reorganization proposal must take a back seat to Revco's own efforts.

Such a proposal was put forward last fall, when Revco received an unsolicited and unofficial takeover offer from Acadia Partners, L.P. and the Robert M. Bass Group. Acadia put a $925 million offer on the table which would pay its creditors $410 million in cash and another $515 million in new debt securities to absolve the company of all outstanding debt and allow it to come out of Chapter 11.

Both Revco and its bondholders reacted warily to the offer, which would add new debt to its balance sheet just as it emerged from bankruptcy—providing the plan met with court and creditor approval in the first place. Neither Revco's board nor its bondholders and trade creditors responded officially to the offer.

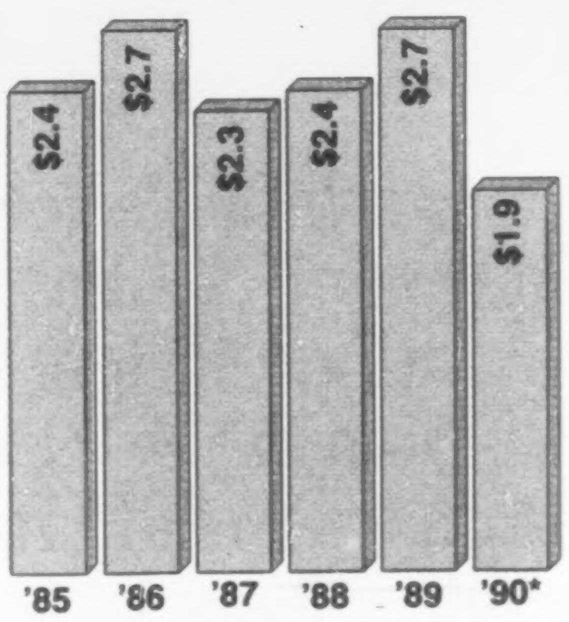
"As long as we have exclusivity, we don't have to act on any outside reorganization proposal or takeover offer," said one company source.

Revco's current bondholders have generally sided with Sells and other company officials. Said one noteholder, "Revco is revitalizing its stores and working on its margins, and its cash flow is down because they're building up the inventory. Over the next two or three years, there'll be a real revitalization of the company."

Added David Schulte of Chilmark Partners, who represents Revco's bondholder committee, "The noteholders are not exactly turning handsprings over [the Acadia/Bass] offer."

Revco's sales trend

(In billions of dollars)



*First 36 weeks of fiscal 1990, ended Feb. 10, 1990.
Source: company reports

Sells

Raven

Adamson

Hoven

The top Revco team of Sells, Raven, Adamson and Hoven is methodically leading the chain out of Chapter 11 protection. Part of their plan is to concentrate on core markets and divest 712 stores.

Revco at a glance

Name: **Revco D.S.**
Headquarters: **Twinsburg, Ohio**
Officers: **Boake Sells, chairman and ceo; Gregory Raven, executive vp-finance and cfo; Jim Adamson, executive vp-marketing; D. Dwayne Hoven, executive vp-stores.**
Sales: **$2.7 billion**
Stores: **1,870,** as of March 16, 1990
Average store size: **8,450 square feet**
Markets: **Midwest, North Central, Southeast, Southwest, Mid-Atlantic, Northeast**
Highlights: **Continues intensive efforts to restructure finances and emerge from bankruptcy; unveils plan to sell 712 stores in 17 states; solidifies top management team; develops and extends new store prototype; rebuilds vendor support and service levels.**

Revco received another boost in January when the U.S. Bankruptcy Court approved a 16-month extension of the maturity date of a $145 million credit line Revco's lending banks made available. The chain used some of that money to beef up inventories last Christmas, but has left the bulk of it untouched and relied on current operating cash flow to fund most ongoing operations and improvements.

Meanwhile, the chain continues to work its way back to fiscal health and viability as a chain drug retailer. Exhaustive efforts over the past two years to revamp Revco's stores and merchandise mix have yielded steady improvements in sales and operating income, despite a massive one-time charge against earnings taken to cover the costs associated with the upcoming store divestiture program.

One sure sign of improvement was a 10 percent upturn in same-store sales in the first three quarters of the new fiscal year. Operating profit for the first nine months, excluding one-time charges, depreciation and amortization, was up 45.4 percent in the first nine months.

"Our prescription volume, average transaction per customer and average sales per store are all up," noted Sells last month. "We had an excellent Christmas selling season."

To stake its place in the 1990s, Revco last year unveiled a new store prototype which features a denser mix of core drug store products in a snappy new presentation, with angled aisles, clear departmental graphics and vertical merchandising techniques on walls and shelving. That format—or elements of it—provides the basis for new stores and remodels, which are going forward rapidly in Revco's home market and elsewhere.

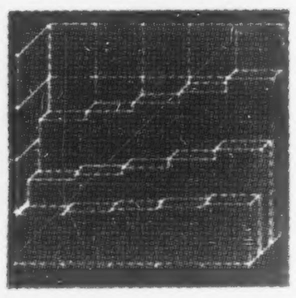
The chain is also rolling out new stores in the 10 states it plans to remain in, and is spending the dollars needed to upgrade its pharmacy and point-of-sale technology. Following what it described as a successful test of POS scanning in 80 stores, the chain began the rollout last summer of scanners to another 400 units.

Revco
DISCOUNT DRUG

'Since total capital expenditures for the chain will not be reduced, ongoing areas of operation will see remodelings and technological enhancements much earlier than previously planned.'

–Boake Sells

Integration boosts Thrifty's '89 sales



LOS ANGELES — Thrifty Corp.'s latest fiscal year was marked by intense price competition in Southern California, integration costs of Pay 'n Save and Bi-Mart, ongoing rollout of POS systems and expansion of its satellite communications system.

A big sales boost came from full 12-month reporting of Pay'n Save and Bi-Mart. Their contribution upped Thrifty Corp. sales 29 percent to $3.1 billion in the fiscal year ended Nov. 30, 1989, up from $2.4 billion in the prior year. At the same time, Thrifty's operating income after taxes grew three percent to $68 million, from $66 million in 1988; however, its pretax operating margin fell to 3.3 percent from 4.4 percent. These figures include results from 256 sporting goods stores.

Parent Pacific Enterprises, meanwhile, reported 1989 sales of $6.76 billion, a 14-percent increase. Net income fell to $211 million from $222 million.

The integration of Pay 'n Saves in Oregon and Washington is progressing ahead of schedule, Thrifty said, helped by the installation of new senior management and control systems from Thrifty.

Pay 'n Save offered considerable benefits when acquired in June 1988. Average sales per store were double that of Thrifty, it owned a 47-percent market share in Seattle and was strong elsewhere; on the downside, margins were soft.

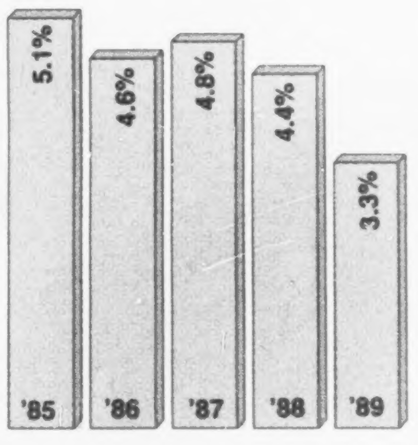
Thrifty Corp. ended the fiscal year with 809 drug stores, a net gain of three stores. That included, in the first nine months detail, 23 new Thriftys, Thrifty Jrs., Pay 'n Saves and Bi-Marts, 26 closed, and 14 stores put under a new name; in Washington, for instance, 16 Thriftys were converted to Pay 'n Saves, leaving no Thriftys in Washington. Seven Pay 'n Saves in Northern California converted to Thriftys, leaving Thrifty 188 stores in Northern California, 317 in Southern California, and none in Utah, another state it abandoned.

At fiscal year-end Nov. 30, Thrifty had 425 IBM POS systems in Thrifty and Thrifty Jrs., including 110 with scanning. It plans to add 45 POS systems and 215 scanners in 1990. At Pay 'n Save, 46 had POS systems at year-end and 44 more will get it this year.

Thrifty at a glance

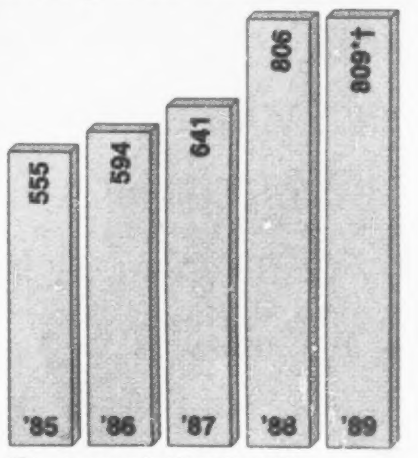
Name: **Thrifty Corp.**
Headquarters: **Los Angeles**
Parent: **Pacific Enterprises**
Officers: **Leonard H. Straus, chairman; Richard Eils, ceo, president, and chief operations officer; Daniel Seigel, executive-vp.**
Sales: **$3.1 billion**
Stores: **809 Thrifty, Thrifty Jr., and Pay 'n Save Drug stores, and 256 Bi-Mart discount stores and sporting goods stores.**
Markets: **11 Western states including Hawaii and Alaska.**
Highlights: **Richard Eils adds the title of ceo, as Daniel Seigel is named to a new post of executive vp; Thrifty revenues top $3 billion; the chain plans to double its installation of a new POS system in second year of rollout; the integration of Pay 'n Save continues with a new management team from Thrifty under Richard Dortch, executive vp and general manager, Pay 'n Save.**

Thrifty operating margin slips



Source: Company reports

Thrifty store count stable



*Fiscal year ended Nov. 30, 1989

†Includes 571 Thrifty, 81 Thrifty Jr., 151 Pay 'n Save and Bi-Mart stores, which opened as of Aug. 31, 1989. Does not include 256 sporting goods stores.

Source: Company reports

We wrote the book on fast turns.

Mark this fast turning promotion on your calendar. Pennzoil is now offering your customers a free Pennzoil Car Care Savings Book. With coupons valued at over $80 on top-quality, name brand car care products. And we're offering you special product allowances, restocking, and advertising cost reimbursement incentives.

All you have to do is advertise and promote Pennzoil's Car Care Savings Book and run a two-week off-shelf display. All your customers have to do is buy five quarts of specially marked bottles of Pennzoil Motor Oil. Then we'll send them their Car Care Savings Book, free. You'll attract lots of traffic with an offer this good. And that means faster turns.

During April and May, Pennzoil will support this exciting promotion with print ads and television commercials featuring Indy legend Rick Mears. As well as attention-grabbing radio commercials.

You'll also get free point of sale materials, a co-op T.V. commercial and radio scripts. For complete details on how you can participate in Pennzoil's Car Care Savings Book promotion, contact your Pennzoil representative today.

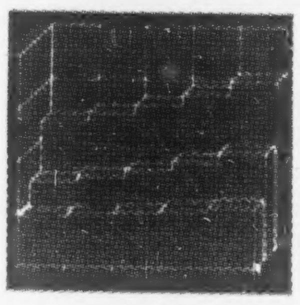
Because when it comes to big savings for your customers and fast turns for you, we wrote the book.

PARTICIPATING COMPANIES AND PRODUCTS

American Racing-Wheels ■ ANCO-Wiper Blades/Accessories ■ Bondo-Body Repair Products ■ Bosch-Spark Plugs, Fog/Off-Road Lights ■ GTE-Cellular Phone ■ Gumout-Fuel Injector Cleaner ■ Peak-Antifreeze ■ Petersen Publishing Magazine-Subscription ■ Purolator-Air/Oil Filters ■ Skil-Cordless Power Wrench ■ Swingster-Pennzoil Jackets ■ Sylvania-Auto Emergency Lights ■ "The Club"-Car Theft Prevention

PENNZOIL
World Class Protection
THE PENNZOIL CAR CARE SAVINGS BOOK
World Class Protection

Decentralized Longs sees sales sail past $2B mark



WALNUT CREEK, Calif. — Longs Drug, still the only large drug chain to favor decentralized store management, posted strong 10-percent sales and earnings gains in its fiscal year ended Jan. 25, and hurdled the $2 billion sales barrier.

Longs added 12 stores to its roster, as sales reached $2.11 billion, and earnings rose to $61.29 million.

"Long's decentralized structure is the keystone. . . . [It] holds our other unique components in place," chairman Robert Long told *Inside Retailing*, a sister Lebhar-Friedman publication recently. "One such component is our managers [who] can think and reason for themselves. They literally customize the stores to the customers they serve."

On the technology front, Longs appears ready to decide on a front-end system that it estimates will cost $25 million. After testing POS systems in a handful of stores over the past two years, a system should be decided upon and launched later in 1990, Bill Combs, vp and chief financial officer, told *Drug Store News*.

Longs last year boosted shares in its employees stock ownership plan to 14.3 percent of total shares; about 40 percent of Longs is closely held by employees and family members.

With the intent to acquire top-selling pharmaceuticals at lower costs, Longs last year launched a warehouse program in San Diego which gave store managers an alternative buying source.

The vast percentage of Longs merchandise is bought at store level by managers. Longs operates four redistribution centers, which add up to 450,000-square feet; they are used as staging areas, where merchandise bought by stores is consolidated and shipped.

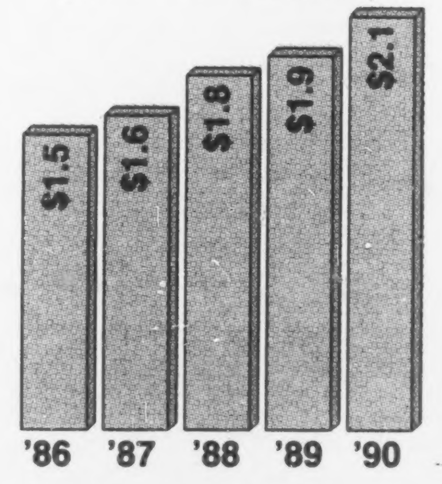
At the mid-year point, Longs unveiled a new store decor package, which is still being evaluated. Meanwhile, the chain's highest volume pharmacies continue to receive the "super pharmacy" design for increased efficiency. It outfits the pharmacy with a longer counter and separate prescription drop-off and pick-up counters linked by conveyor.

Longs at a glance

Name: **Longs Drug Stores**
Headquarters: **Walnut Creek, Calif.**
Sales: **$2.1 billion**
Stores: **248**
Markets: **California, Colorado, Arizona, Nevada, Hawaii, and Alaska**
Highlights: **Sales top $2 billion; launched San Diego-based warehouse program; bowed new decor package.**

Longs' sales growth

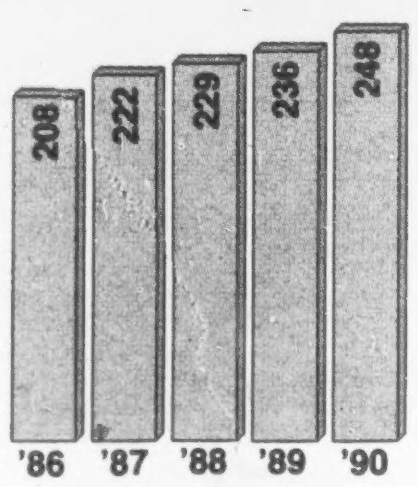
(In billions of dollars)



Fiscal year ended Jan. 25

Source: Company reports

Longs' store count



Fiscal year ended Jan. 25

Source: Company reports

Every year, 7 out of 10 women change their hair.

And their shampoo.

Over half the women in America perm or color-treat their hair on a regular basis.* So we've created Neutrogena® Shampoo and Conditioner for Permed or Color Treated Hair just for them.

Our unique moisturizing formula keeps hair looking its best. Colors stay vibrant. Curls stay bouncy.

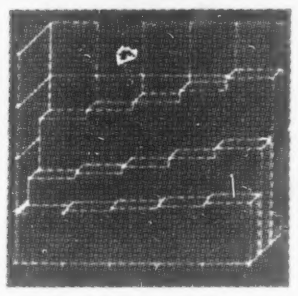
Which is good news for the estimated 64.4 million American women who perm or color-treat their hair.

And even better news for you.

Neutrogena
Shampoo
moisturizing formula
for permed or color treated hair

©1990 Neutrogena Corporation
*1989 *Modern Salon* Client Survey.

Higher sales, lower costs turn Peoples around



ALEXANDRIA, Va. — Peoples Drug Stores achieved two milestones during 1989: The chain returned to profitability and, with the sale of 120 former Haag units to Reliable Drugs in August, completed its targeted divestiture of 325 stores in the Southeast and Midwest.

Peoples ended the year with operating earnings of $12.5 million (U.S. dollars), compared with an operating loss of $2.5 million for 1988 (both figures before goodwill amortization).* Revenues for 1989 were $1.02 billion.

Three key factors

David R. Bloom, chairman and chief executive officer of parent company Imasco's Drug Retailing Group, cited three key factors in the turnaround: higher comparable-store sales, a careful monitoring of gross margins, and lower expenses.

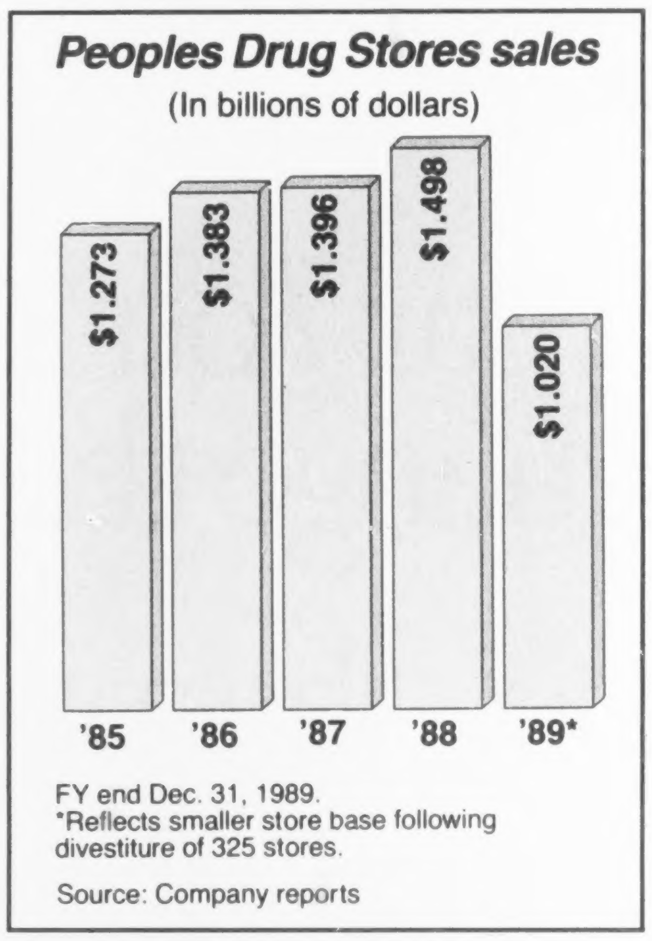
Comparable-store sales were up, 6.7 percent, compared with 5.9 percent last year, and comparable prescription sales increased 9.9 percent over 1988.

At 486 stores, the slimmed-down chain isn't exactly a shadow of its former self. It's still the tenth-largest chain in store count and the twelfth-largest in dollar volume, plus being No. 1 in market share in all but one of its primary metro markets. Average sales per store are $2.1 million (U.S.), and sales per square foot average $250.

Among other measures, Peoples has stepped up its marketing efforts, which include themed circulars and emphasis on its pharmacies and pharmacists, as well as joint promotions, sponsorships and other components. The chain also is closely monitoring key product pricing to ensure competitiveness.

Peoples at a glance

Name: **Peoples Drug Stores**
Headquarters: **Alexandria, Va.**
Parent: **Imasco Ltd.**
Officers: **David R. Bloom, chairman, ceo, Imasco Drug Retailing Group; David Eisenberg, president and chief operations officer, Peoples.**
Sales:**$1.02 billion**
Store count: **486**
Market: **Washington D.C.; Maryland, Virginia, West Virginia, North Carolina, Pennsylvania, New York, and Ohio.**
Highlights: **With sale in August of 120 former Haag Drug stores to Reliable Drugs, Peoples completed divestiture of 325 stores in the Southeast and Midwest. It also returned to profitability in 1989.**

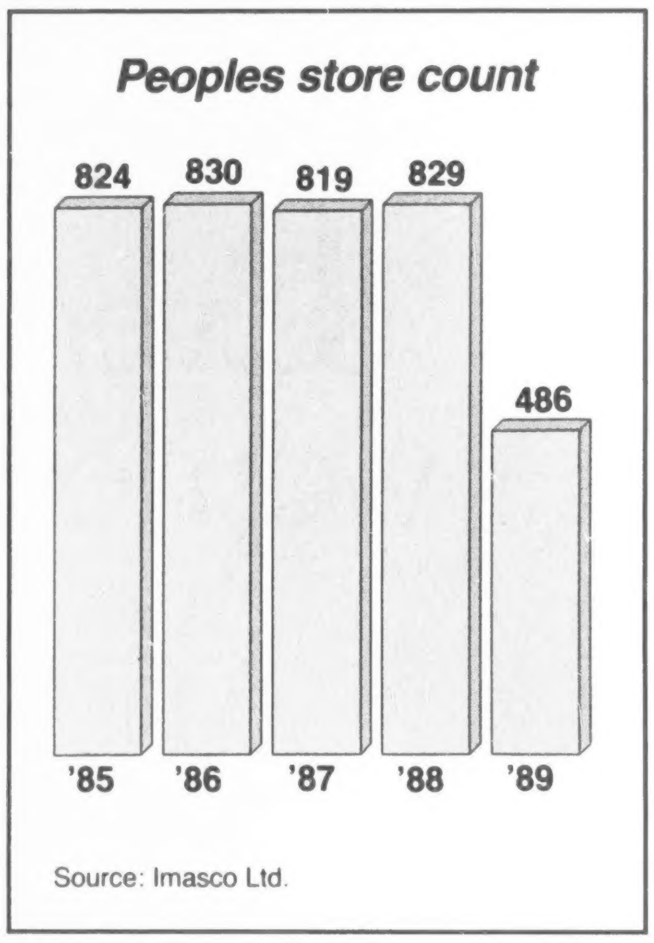


Peoples Drug Stores sales

(In billions of dollars)

FY end Dec. 31, 1989.
*Reflects smaller store base following divestiture of 325 stores.

Source: Company reports



Peoples store count

Source: Imasco Ltd.

In addition, Peoples created new packaging during 1989 for its extensive private label program, backing its Quality First symbol with a money-back guarantee.

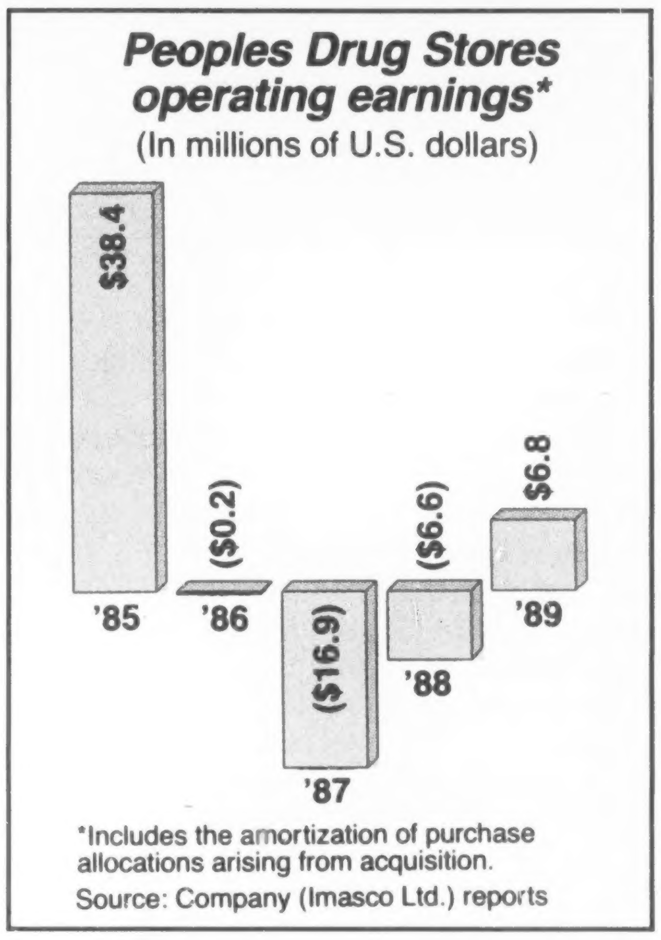
This year, Peoples plans to open 13 stores. Its ambitious remodeling pace—110 major remodels in 1988—has moderated. A total of eight major remodels were completed in 1989 and the company plans to remodel 21 more this year.

With scanning already in 140 stores, the chain plans to equip 100 more stores by the end of 1990. All pharmacies are computerized.

Toward the end of the year, David H. Eisenberg, who as senior executive vice president had steered Peoples through some of its toughest times, was promoted to president.

At the time of the appointment, Bloom said of Eisenberg: "He has been instrumental in developing an exciting, new, re-invigorated Peoples Drug."

*Editor's Note: * = Including amortization of purchase price allocations arising from acquisition, 1989 operating earnings were $6.8 million (U.S. dollars), compared with a loss of $6.6 million for 1988.*



*Peoples Drug Stores operating earnings**

(In millions of U.S. dollars)

*Includes the amortization of purchase allocations arising from acquisition.
Source: Company (Imasco Ltd.) reports

Imasco's Shoppers Drug Mart improves profitability in '89

WILLOWDALE, Ontario — Shoppers Drug Mart (SDM; Pharmaprix in Quebec), part of the Imasco Drug Retailing Group, is Canada's largest drug store group. It enjoys a 33 percent share of the market, up a point from last year, according to research compiled by Statistics Canada.

SDM's systemwide sales rose to $2.6 billion (Canadian) for 1989, and operating earnings jumped 24 percent, to $70.6 million (Canadian). Comparable-store sales were up 7.9 percent, and sales per square foot were $736 (Canadian), one of the highest in the industry.

As Herbert R. Binder said would be the case when he became president early last year, 1989 was essentially a year of consolidation for Shoppers. The drug store group focused on improving productivity and profitability of existing stores, especially the ones converted from Super X and Howie's formats.

Expansion was moderate. The chain, which operates in all 10 provinces and two territories, opened or acquired 27 units and closed seven during the year, for a year-end store count of 633, and renovated or upgraded 58 units.

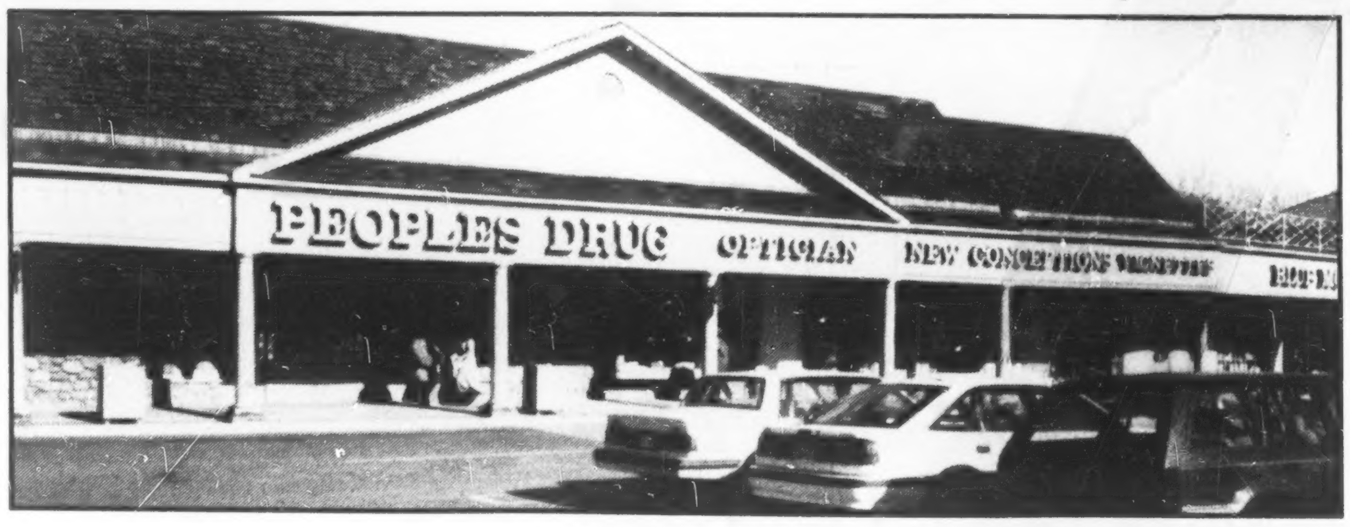
There are 37 Food Basket combo stores and 18 Shoppers Home Health Care Centres, with more of the latter planned. The increase from 24 to 37 Food Basket stores, which combine the regular drug store mix with selected food items, reflects Shoppers' response to combo competition.

While SDM plans to finish rolling out a computerized bookkeeping system and software to generate marketing and operational data over the next three years, rollout of point-of-sale terminals will proceed at a slower pace, the company indicated. All pharmacies are computerized.

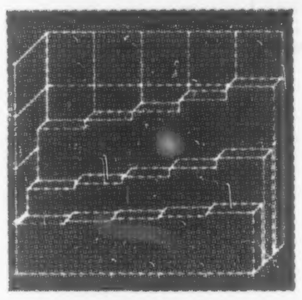
SDM also expanded its dedicated warehouse system during the year, improving stock turns and profits. Some 1,200 different products are available through the independently owned warehouses.

In October, Dale Daley was named senior executive vp-operational services for Shoppers.

Peoples Drug Stores (below), which divested itself of about 325 stores in the Southeast and Midwest during 1989, is now focusing on about 490 stores in core markets. Trained cosmeticians (right), who can be found in about 225 stores, generally work in cosmetics departments located at the front of the stores, as in this Washington D.C. unit.

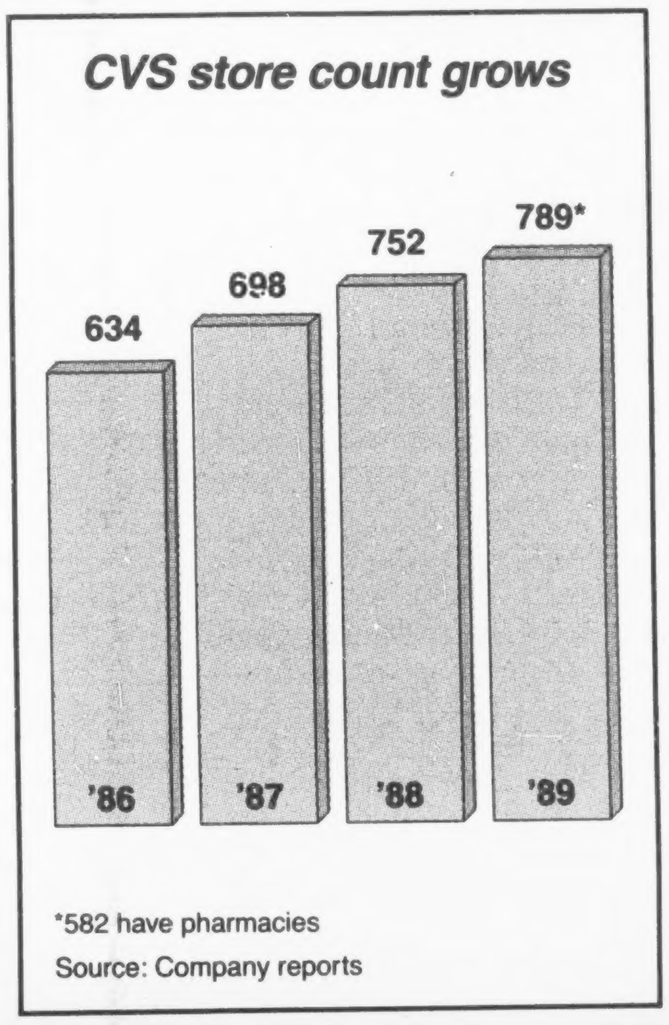


Efficiencies, new units nudge CVS sales to $2B



WOONSOCKET, R.I. — Powered by increasingly effective operations and 37 new stores, CVS nudged the $2 billion revenue mark and posted 29.2 percent gains in operating profits in 1989.

Sales from CVS pharmacies and H&BA stores were $1.95 billion in the fiscal year ended Dec. 31, up from $1.68 billion in 1988. Freddy's deep discount stores generated additional sales of $160.7 million.


CVS store count grows

*582 have pharmacies

Source: Company reports

The division's operating profits climbed 29.2 percent to $166 million from $128.5 million a year earlier. Robert Huth, executive vp and chief financial officer at parent Melville Corp., told *Drug Store News* that "very strong performances" at CVS pharmacy and H&BA stores led growth.

For its part, Freddy's expanded within its current states of operation, New York and Florida. Seven opened in 1989, raising the roster to 25, with seven more planned this year, Huth said.

The 37 stores CVS added, all with pharmacies, were concentrated in California (up 11 to 71), Massachusetts (up 11 to 217), and New Jersey, (up six to 94). Serving 14 states currently, CVS is strongest in Connecticut (71), New Hampshire (27), New York (160), Pennsylvania (56), and Rhode Island (46). CVS ended the year with 789 stores, 582 with pharmacies.

CVS said its plans to open 50 more drug stores in 1990.

To support this growth, CVS increased distribution capacity by opening a 400,000-square-foot DC in New Jersey. That raised the chain's warehousing footage to 2,075,000 square feet.

On the management side, Thomas Ryan, CVS's senior vp-pharmacy for 10 months, was promoted to executive vp-operations to replace J. Kevin Hughes, who retired. Ryan joined a three-person executive vp tier that includes Gary Charboneau in charge of marketing and David Jonson, administration, reporting to president Harvey Rosenthal.

CVS is on the verge of committing to a POS system and launching a rapid rollout, Huth said. Since installing seven point-of-sale registers with scanning capability in 1988, CVS equipped just two more stores in 1989 as it continued to review several different systems. "They are very studied and deliberate about putting in new systems," but should be choosing a direction this year, Huth said.

CVS at a glance

Name: **Consumer Value Stores** (CVS)
Headquarters: **Woonsocket, R.I.**
Parent: **Melville Corp.**
Officers: **Stanley Goldstein,** president, Melville Corp; **Harvey Rosenthal,** president, CVS.
Sales: **$1.95 billion**
Stores: **789**
Markets: **11 Northeastern states, Ohio, Michigan and California.**
Highlights: **Approached the $2 billion level in sales, opened a 400,000-square-foot distribution center.**

Polaroid
600
PLUS
Polaroid
600 PLUS
Polaroid One Film
Save 50¢ on OneFilm
Polaroid
600 PLUS
Polaroid
OneFilm
35mm

THE FASTEST WAY TO SELL ONEFILM IS IN AN INSTANT.

© 1990 Polaroid Corp. "Polaroid" "OneFilm"

Polaroid took something off OneFilm and put it on 600. Beginning this May, for a limited time, all single packs of 600 Plus Instant Film will carry instantly redeemable coupons for 50 cents off 35mm OneFilm from Polaroid. Contact your Polaroid representative or call 800-343-35MM to find out how fast our instant can move your OneFilm.

35mm OneFilm from Polaroid.

Shoplifters should get hard labor, not retailers.

5429211704
OUR PRICE
$ 9.89

You can protect your merchandise and save labor when you use a 3M Shoplifting Control System.

Gun-applied 3M QuadraTag™ Markers let you price and protect at the same time. Because they look like price tags, QuadraTag markers are harder for shoplifters to detect, yet easier for clerks to deactivate.

3M Shoplifting Control Systems are backed by 20 years of EAS experience. And by more than 200 service personnel to give you 24-hour response to service calls. So you'll have the protection you need, when you need it.

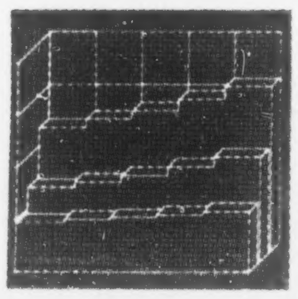
To learn more about 3M Shoplifting Control Systems, call us, toll-free: 1-800-328-1684, ext. 112. We promise it won't be hard labor. 3M Shoplifting Control Systems.

Innovation working for you™

QuadraTag is a trademark of 3M
© 1990 3M Company

3M

Three-pronged growth strategy puts Fay's on right track in '90



LIVERPOOL, N.Y. — Fay's growth strategy was on track in 1989. Sales rose 9 percent in the year ended Jan. 27, 1990 to $574.1 million, as the company added 22 drug stores, eight Wheels auto parts stores, and three Paper Cutter office supply stores.

Currently Fay's operates 174 drug stores, 24 Wheels, and 17 Paper Cutters. Fay's five-year plan calls for as many as 280 drug stores (super drug formats of 13,800 square feet and bantams ranging from 3,500 to 9,000 square feet), 120 Wheels units, and 60 Paper Cutter stores to generate $1 billion in corporate sales by 1994.

Net earnings for the year were up to $10.4 million, or 68 cents a share, compared to 66 cents a share last year. (The prior year's earnings are restated to account for a 10 percent stock dividend distributed in the summer of 1989, which Fay's offered in addition to its regular cash dividend).

Key performance indicators showed underlying strength. Fay's continued to improve gross margin, to 30.2 percent, up from 29.6 percent in 1988 and 26.8 percent four years ago. Same-store sales grew 6.2 percent, a faster clip than 1988's 5.2 percent.

"I am confident that our marketing approach in all divisions and the measures being undertaken to contain expansion costs will result in Fay's reestablishing its consistent pattern of profitable growth witnessed over the last several years," said chairman Henry A. Panasci Jr.

Indeed, despite competition from combos such as Wegmans in Rochester, N.Y., Fay's has steered a steady recovery course from three years ago, when new store development costs brought a brief red period.

Refinements of pricing and the merchandise mix are primary reasons for the uptrend. Much credit must also go to top managers, who have coalesced as a team in recent years as duties were reorganized to more effectively direct growth of three retail divisions.

The team is made up of Larry Rose, president and chief operations officer, and Dan O'Leary, executive-vp, support and services, who report to Panasci on behalf of the three divisions.

Reporting to Rose are John Kogut, drug store division president; David Panasci, president, Paper Cutter; and Gale Mitchell, president of Wheels.

Fay's extensively revamped its private label program, including a new logo for a family look, upgraded quality control, and stronger promotions. Paul Novaro was hired as head of private label marketing, with the goal to build it to 6 to 7 percent of sales.

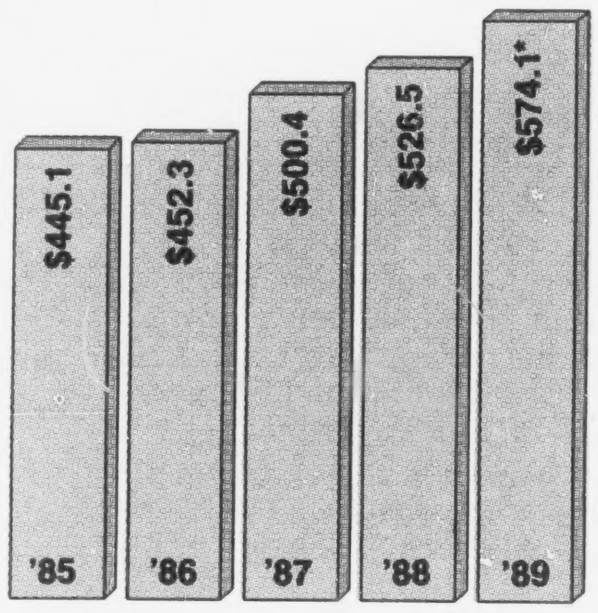
As Fay's continued rolling out new POS and pharmacy systems, stores with scanning jumped in number to 96, after 87 stores received it during the year.

Fay's at a glance

Name: **Fay's, Inc.**
Headquarters: **Liverpool, N.Y.**
Officers: **Henry A. Panasci Jr., chairman and chief executive officer; Larry Rose, president and chief operations officer.**
Sales: **$574.1 million**
Stores: **174 drug stores, 24 Wheels auto parts stores, 17 Paper Cutter office supply stores.**
Markets: **New York and Pennsylvania**
Highlights: **Fay's moved farther west in Pennsylvania with its strategy of opening new super drug stores and buying independents' smaller stores.**

Fay's sales improve

(In millions of dollars)



*Fiscal year ended Jan. 27, 1990.

Source: Company reports

Sales are corporate figures covering drug stores, Wheels and Paper Cutter units.

RIGHT PACKAGE.

Magnif-Eyes™
$5.00
Magnifying Contact Lens Case
INSPECT YOUR LENSES FOR
• Tears and scratches
• Make-up and dirt
• Solution level
• Protein deposits
Improves lens care, helps extend your lens life!
Torn lens
L
Magnifi to 300%
Item #272

COMFEES®+
Another high profit opportunity from Magnivision.

It's another first from Magnivision, and it couldn't be more right: the eye-ear care accessories program that looks good from all angles.

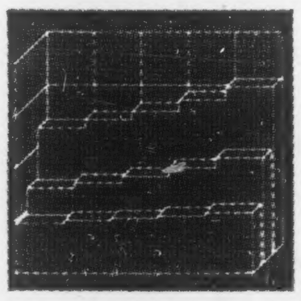
Make no mistake, this high quality product line features a clean, contemporary look, consistent with your store's image.

What's more, it covers every niche in the booming $100 billion eye/ear care category.

This is it. The right package. The right product. And the right people behind it.

MAGNIVISION®
Miami, FL 33152-0817

Pay Less charges into 1990s on a fast growth track



WILSONVILLE, Ore. — The Northwest's biggest drug chain is on a tear. Backed by the financial muscle of its parent company, K mart Corp., bolstered by a young, aggressive management team and increasing sales and earnings momentum, Pay Less Drug Stores NW is pushing ahead with new stores and new strategies.

In mid-March, the chain opened its 300th drug store in Clackamas, Ore., a suburb of Portland. That milestone comes in the midst of a planned 40-store expansion this year, on top of 32 new stores in 1989.

Meanwhile, Pay Less has upped its store renovation schedule based on a new store prototype first unveiled early last year outside Sacramento, Calif. The chain plans 12 major remodels this year, and will do less extensive renovations to another 10 units.

For the most part, new stores are serving to strengthen Pay Less' penetration of existing markets and extend the chain into smaller communities in the nine-state western region it serves. The chain is beginning to reap big rewards by snapping up locations in rapidly growing communities to the east and south of Los Angeles, where store sales are reportedly rising 10 to 15 percent and pharmacy sales are growing a whopping 35 percent.

Pay Less is also generating big gains in new and remodeled stores thanks to its successful introduction of the new store format. The prototype emphasizes pharmacy, cosmetics and other core departments.

The company's expansion and renovation efforts are pushing it rapidly toward the $2 billion sales mark. Sales were up a healthy 23 percent last year, to $1.6 billion.

Meanwhile, Pay Less is pushing ahead with the rapid installation of front-end scanners, already in place in more than 200 stores. Installation should be 90 percent finished by the end of the year and chainwide by the first quarter of 1991, according to McAlear.

Pay Less marked another milestone last year with the retirement of longtime chairman and chief executive Ed Hart after more than 40 years with the chain.

Pay Less is now run by a cadre of young and enthusiastic executives and managers, headed by president and ceo Ron Schiff, McAlear, vp-merchandising Jerry Kuske and others. Those top leaders have demonstrated a marked receptiveness to new ideas--many of which have percolated up from the stores and support people.

Pay Less NW at a glance

Name: **Pay Less Drug Stores NW**
Headquarters: **Wilsonville, Ore.**
Parent company: **K mart Corp.**
Officers: **Ron Schiff,** president and ceo; **Tim McAlear,** executive vp and chief operations officer.
Sales: **$1.6 billion**
Store count: **300** as of March 16, 1990.
Average store size: **27,700** square feet (21,954 selling)
Markets: **California, Oregon, Idaho, Nevada, Washington, Arizona, New Mexico, Montana, Colorado.**
Highlights: **Ed Hart retires; Schiff named ceo; new prototype opens successfully; store expansion accelerates.**

Serviced cosmetics is an anchor of the Pay Less prototype, which is quickly winning consumer favor.

PACKAGED RIGHT.

$4.00
Contact Lens Holder
$2.00
Anti-Fog Lens Spray

COMFEES®+
The only totally coordinated single source program of its kind.

Whether it's contact lens care, ear plugs, or virtually any other eye/ear care accessory. Comfees+ comes totally coordinated and packaged: designed, delivered and serviced by one source.

Yes, it's modular. So it's compatible for profit wings, clip strips and in-line displays. And it's backed by a proven support program of planograms, promotions and special events guaranteed to maximize sales opportunities at every turn.

Don't delay. For more information, call Michael Nyman, Vice President, Sales, today, toll-free 1-800-237-4231.

MAGNIVISION®
Miami, FL 33162-0317

Thrift surpasses $1 billion mark in sales for 1989

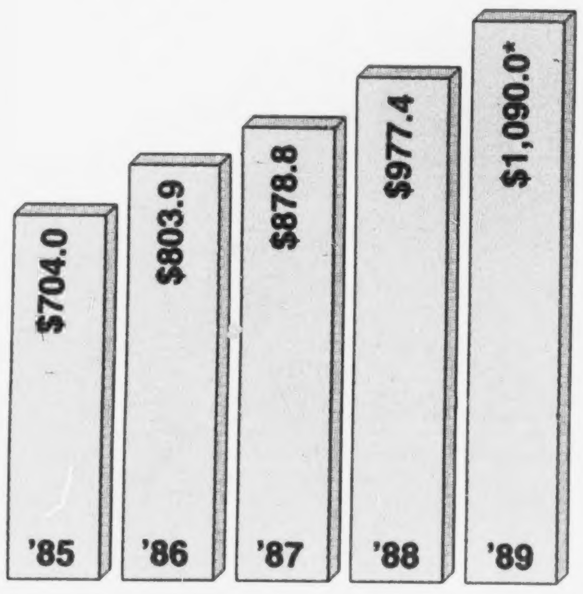
PITTSBURGH — Thrift Drugs cracked the $1 billion sales mark in 1989 after posting annual double-digit sales growth through the decade. Sales for the fiscal year ended in January hit $1.09 billion, up 11 percent from last year.

The decade's revenue growth was usually accompanied by similar gains in earnings, and by a steady building of the drug store base. Since 1987, Thrift has accelerated store openings to about 30 drug stores a year. That continued as Thrift added 32 drug stores in 1989 for a fiscal year-end total of 472. The chain plans to open 30 more in 1990.

It operates stores in 19 Eastern, Mid-Atlantic and Southern states. Its strongest markets are Pennsylvania (236 stores), New Jersey (65), Georgia (64 Treasury sites) and Delaware (14).

Thrift sales pass billion-dollar level

(In millions of dollars)



Fiscal year ended Jan. 31, 1990.

Source: Company reports

Visionary prototype

Thrift unveiled a radically new prototype that, naturally, emphasizes pharmacy, cosmetics, OTCs and H&BAs. Merchandise is grouped into three distinct "worlds": drug, convenience and beauty.

The "worlds" prototype is regarded as one of the trade's most interesting launches in recent years. As many as five may open in this year's first quarter, a chain source said.

A 10-foot-wide center aisle runs directly from two doors at the front of the store to pharmacy at the store's rear-center. The aisle is flanked by low-profile gondolas that are set parallel to the front wall. OTCs are arrayed on shorter gondolas that fan out by pharmacy. A prominent, well-styled front-end checkout extends well into the store, and has a "V-shaped" counter that channels consumers to either side and both doors.

POS commitment

Thrift also kicked into high gear on POS implementation. Having started the year with 140 stores on NCR 2154 POS scanning registers, Thrift ended 1989 with 337 stores equipped, and plans to be chainwide in 1990.

PAIN RELIEF
DRUG WORLD

Short runs of OTC gondolas fan out and face the pharmacy for high visibility in Thrift's Store of the Future prototype.

The chain also entered the deep discounting arena when it acquired two Drug World stores as part of its purchase of 10 Georgia stores from SupeRx of Arizona. Thrift converted the conventional stores into its Treasury format.

In a Monroeville, Pa. drug store, Thrift began an experiment with a 600-square-foot self-service snack center, which features self-serve frozen yogurt and beverage bar, and a microwave oven. These 60-percent-plus margin centers will be placed inside stores that already draw heavy traffic. Thrift also operates 30 stores with full convenience food departments.

Thrift at a glance

Name: **Thrift Drug**
Headquarters: **Pittsburgh**
Owner: **JCPenney Co.**
Officers: **Robert Hannan, president; Tony Civello, executive vp-operations.**
Sales: **$1.09 billion**
Stores: **472**
Markets: **Pennsylvania, and 18 other Mid-Atlantic, Southern and Midwestern states.**
Highlights: **Topped the $1 billion sales mark as it added 32 drug stores; launched "Store of the Future" prototype; bought 10 SupeRx stores in Georgia.**

Genovese in 1990: more stores, upgraded systems

MELVILLE, N.Y. — While its first Health and Beauty Expo helped Genovese Drug Stores highlight its 65th year in business and its commitment to the self-health market, the chain was also working hard behind the scenes during 1989 to prepare for the years ahead.

In addition to opening six stores and remodeling six others during the year, Genovese has almost finished bringing major categories into its approximately 260,000-square-foot distribution center and modernizing warehouse systems; has passed the halfway mark in rollout of second-generation pharmacy computers with on-line adjudication capability; and has reviewed its scanning needs, based on seven stores currently equipped, with further rollout, possibly to 12 stores this year, under consideration.

"We've spent a lot of money over the last year or two in the electronics area — on the warehouse, the mainframe at headquarters, POS and second-generation pharmacy computers," said vp-marketing Don Gross, "and that's hurt our bottom line. But we're getting ready for the future."

Moreover, Genovese has opened 13 stores over the past 18 months, which haven't yet reached maturity.

These factors, plus increased competition and higher interest rates, have affected the chain's earnings. While sales for fiscal 1990 (ended Feb. 2) increased 10.6 percent to $405.1 million, compared with 1989's $366.4 million, net income dropped to $2.8 million from $5.5 million for the previous year.

Genovese's first deep discount store, Great American Drug Store, which launched in October 1988, is "quite successful," Gross said, and the chain converted a drug store in Elmont, Long Island, to the second Great American last fall. The 96-store chain is looking to open about four stores this year, including one or two more Great Americans, Gross said.

Nursing home supplier

In January, Genovese's Genrex Nursing Home Services division acquired Bell and Halpern Nursing Home Co., becoming the major supplier of pharmaceuticals to nursing homes on Long Island, serving more than 50 facilities.

On March 19, Genovese promoted senior vp Herbert J. Kett to vice-chairman of the company and also appointed him president of the Genrex division. Kett will continue to be responsible for real estate interests, legislative affairs, new businesses and corporate security.

In addition, Allan Patrick moved up from senior vp to executive vp, responsible for Genovese's store operations, merchandising, advertising and distribution.

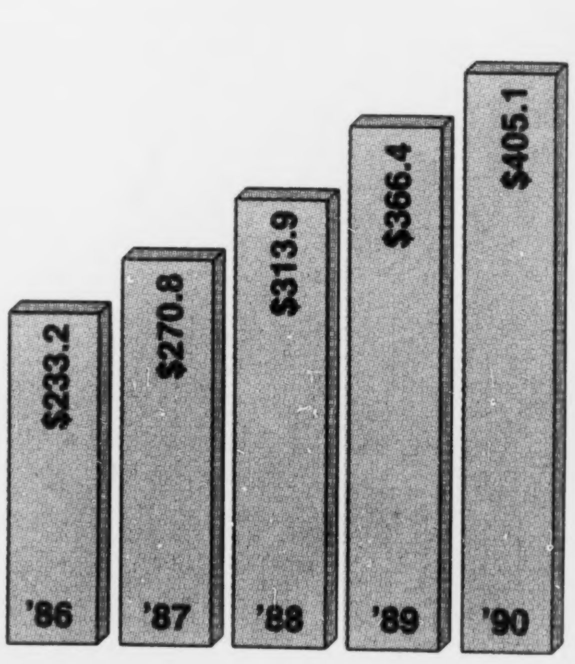
Pharmacy and photo stood out as department performers this past year. Pharmacy sales have been rising steadily and currently account for 27 percent of total sales. Genovese's photo business, which had been flat early last year, has been posting sizable increases since then, attributable to aggressive promotion, the appointment of David Reynolds as general manager to the photofinishing group, and the upgrading of products and services, including the addition during the second quarter of overnight delivery of 4-inch 35mm color prints, Gross said.

Genovese at a glance

Name: **Genovese Drug Stores**
Headquarters: **Melville, N.Y.**
Officers: **Leonard Genovese**, chairman and president
Sales: **$405.1 million**
Store count: **96**
Average store size: **12,000 square feet (10,500 selling)**
Market: **New York, Connecticut, New Jersey**
Highlights: **Staged first Health and Beauty Expo; invested heavily in technology; its Genrex Nursing Homes Services acquired Bell and Halpern Nursing Home Co.**

Genovese sales grow steadily

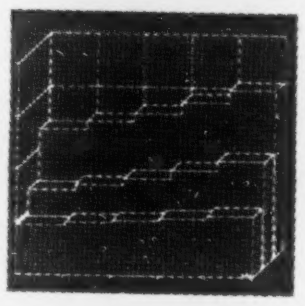
(In millions of dollars)



Years ended Jan. 31, '86; Jan. 30, '87; Jan. 29, '88, Feb. 3, '89 and Feb. 2, '90.

Source: Company reports

Big B consolidates 85 Reeds, enters Atlanta, ups food sales



BESSEMER, Ala. — This past year was crucial in positioning Big B for the '90s. It completed its consolidation of 85 Reed Drug stores acquired last year from Peoples, and moved into a major new market—Atlanta.

By expanding into Atlanta, Big B has made Georgia its second-largest market. Today, with the Reed stores almost completely converted into Big Bs, the chain now operates about 130 stores in Georgia, almost as many as in its home state of Alabama.

For the rest of 1990, Big B plans to concentrate on saturating Georgia with more store openings. Most of a projected 15 new stores slated to open this year will be in greater Atlanta, executive vp Arthur "Mac" Jones said.

"We'll still open some stores in Alabama," he said, "but with 140 stores here, we're close to saturation." Big B also plans to fill in more stores in Tennessee, Florida, and Mississippi.

Since acquiring Reed, Big B's total volume increased 54 percent to $417 million. Same-store sales rose about 8.5 percent, Jones said.

Pharmacy accounts for roughly 40 percent of chainwide sales, and H&BA 25 percent. Food and photo are the next strongest categories, with food showing above-average double-digit growth, according to Jones.

Some Big B stores have convenience food departments in neighborhoods with no food-store competitor nearby, but most display expanded dry groceries, including candy, snacks, microwavable meals and other convenience foods, as well as bottled waters, soft drinks and juices. All stores also have coolers for single-serve beverages.

Growing deep discount side

Big B also opened five more Drugs For Less deep discount stores in 1989, including three in Atlanta, and plans to open five more in 1990.

Jones said Big B opened its first Drugs For Less about five years ago as an "experiment," but added that it has been able to grow without cannibalizing sales of Big Bs.

"We think the Drugs For Less shopper is coming from food stores, Wal-Marts and K marts. The drug stores are still attracting the convenience shoppers," he said.

Same-store sales at Drugs For Less are growing 15 percent annually. The average 20,000-square-foot Drugs For Less generates $2.5 million a year, compared with 9,000-square-foot Big B stores, which average $1.5 million a year.

This year, Big B will further saturate the Atlanta market on the way to its $475 million sales goal. Over the next two years, Big B plans to add scanners chainwide. All Drugs For Less stores currently scan, as do about half of the Big B stores.

Big B at a glance

Name: **Big B**
Headquarters: **Bessemer, Ala.**
Officers: **Anthony Bruno, president; Joseph Bruno, chairman**
Sales: **$417 million**
Store count: **297, including 16 Drugs For Less**
Average store size: **Big B, 9,000 square feet; Drugs For Less, 20,000 square feet.**
Markets: **Ala., Ga., Tenn., Fla., and Miss.**
Highlights: **Converted 85 Reed stores to Big B name and logo. Generated same-store sales growth in excess of 8 percent. Opened five Drugs For Less deep discount stores.**

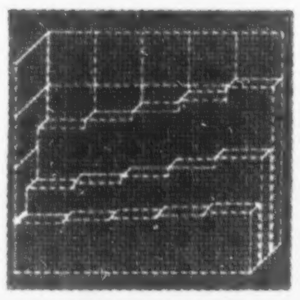
Customer loyalty! Retailers report **90% repeat** purchase rate.
HERPECIN-L®
Cold Sore Lip Balm. *"It Works!"*
**Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150**

Softmark has just made every

HSI gets boost from Brooks as sales climb 35%

Hook-SupeRx at a glance

Name: **Hook-SupeRx, Inc.**
Headquarters: **Cincinnati**
Officers: **Philip Beekman, chairman; executive vps and divisional presidents: Gary Hendren, SupeRx; Thomas Cunningham, Hook; Gayl Doster, Brooks.**
Sales: **$1.73 billion**
Stores: **337 SupeRx, 368 Hook, 335 Brooks, as of Aug. 31, 1989.**
Market: **24 states in the Midwest, South and Northeast**



CINCINNATI — The Brooks division of Hook-SupeRx, Inc. contributed greatly to its new parent's 35-percent sales increase in the latest fiscal year, and is improving in its own right.

HSI, while digesting that major acquisition, also added 12 stores in the fiscal year ended last August. The company complemented that in November with the purchase of 13-store Cavett Drug outside Chicago, where HSI had only two stores previously.

Brooks, said company sources, is improving steadily with new inventory control and purchasing systems, and stronger merchandising.

And some management shifts took place. Thomas Cunningham, a 30-year Hook veteran was named president, succeeding Newell Hall. Richard Morrissey left Brooks, where he served as merchandising vp to replace Mark Varnau, who retired as vp-marketing.

Michael Jones was named to the new corporate post of vp-warehousing and distribution. HSI posted net sales of $1.73 billion, including 12 months of sales from Brooks, acquired in June 1988. In the prior year, sales were $1.28 billion, including two-and-a-half months of Brooks sales. Excluding Brooks ($332.3 million in 1989), corporate sales rose 9.5 percent and same-store sales 8.1 percent.

Net loss posted

The company posted an on-paper net loss of $8.5 million, after $43.6 million in non-cash charges. Interest costs were $58 million.

Pharmacy accounted for 41 percent of sales in the fiscal year ended Aug. 31. Third party made up 40 percent of that, compared with 36 percent in 1988, and 33 percent in 1987.

For its first quarter ended Nov. 30, 1989, HSI posted a 7.3-percent sales gain and 6.4-percent same-store sales gain to $443.7 million. Prescription sales grew to 43.1 percent, due to more third party business, the company reported.

Hook and SupeRx expand; Brooks contracts

SupeRx: '87—313 stores; '88—323; '89*—337.

Hook: '87-335 stores; '88—357; '89—368.

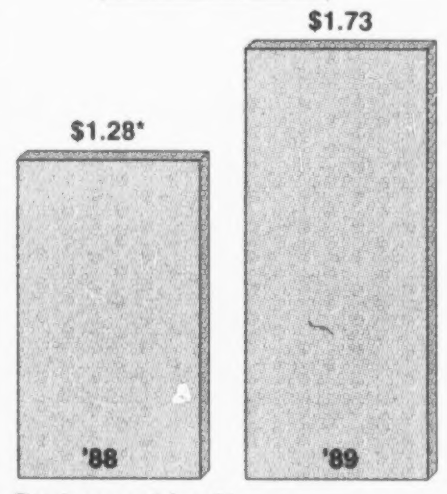
Brooks: '87-361 stores; '88—348; '89—335.

*Store counts as of fiscal year-end, Aug. 31, 1989.

Source: Company reports

Brooks acquisition adds to HSI sales

(In billions of dollars)



Fiscal years end Aug. 31
*Includes 2½ months of Brooks sales
Source: Company reports

other baby wipe disposable.

Confab's recent union with Mackay Specialties brings a new player to the disposable wipe category–Softmark Products.

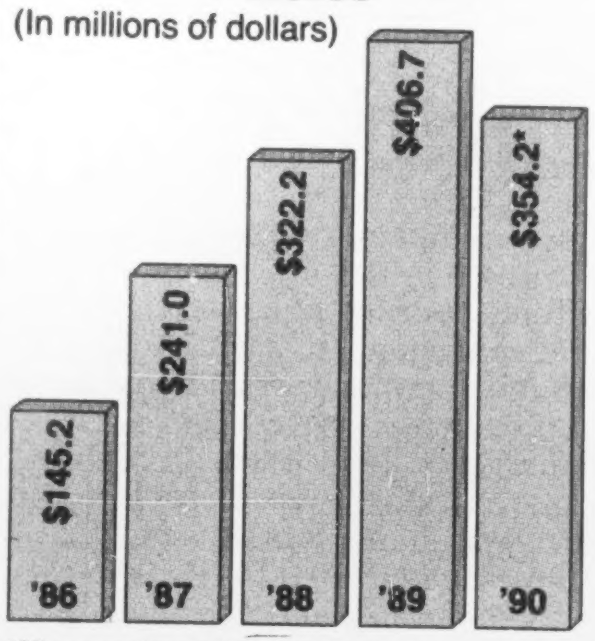
We could say many things about our plans to impact this business to your advantage, but for those of you already familiar with Confab's product development technology and marketing expertise, the implications are fairly obvious.

THICK MOIST TOWELETTES
MOIST TOWELETTES
ULTRA QUILTED BABY WIPES

CONFAB
COMPANIES
The first family in private label.

To find out more about Softmark, contact a Confab representative. 175 Strafford Ave., Wayne, PA 19087 (215) 687-5100. 2301 Dupont Drive, Irvine, CA 92715 (714) 955-2690

"Every retailer is on the lookout for something like it", H.H., NY
HERPECIN-L®
Cold Sore Lip Balm. *"It Works!"*
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150



Sales from corporate-owned Drug Emporium stores

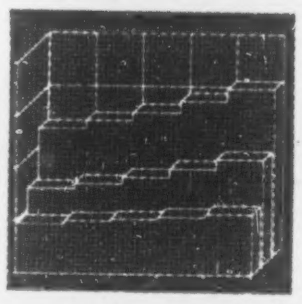
*Nine months ended Nov. 30, 1989.

Source: Company reports

Drug Emporium at a glance

Name: **Drug Emporium**
Headquarters: **Columbus, Ohio**
Officers: **Philip Wilber, chairman; Gary Wilber, ceo; Robert Lyons, president and chief operations officer.**
Sales: **(from corporate-controlled stores) $408 million, fiscal year ended Feb. 1989; $354.2 million, nine months ended Nov. 30, 1989.**
Stores: **79 corporate-controlled, 116 franchised.**
Average size: **25,000 square feet**
Markets: **30 states**
Highlights: **Drug Emporium franchisees moved into N.J. and N.Y.; company geared up for growth push in corporate stores; Gary Wilber became ceo, Robert Lyons president.**

Drug Emporium's sales to top $1B



COLUMBUS, Ohio — In its first full year as a public company, it seems certain that Drug Emporium will top the $1 billion sales mark, and it has come close to meeting its 200-store goal.

The only publicly-traded deep discount chain, Drug Emporium had 80 company-controlled stores and 113 franchised stores at fiscal year-end, Feb. 28.

Company-run stores produced $354 million in sales for the nine months ended Nov. 30, 1989, a 20 percent improvement over the prior year's period. Year-end results weren't reported by press time.

Moreover, the 13-year-old company is primed for more ambitious growth. Flush with $40 million from its stock sale and $50 million from a subordinated debenture sale, Drug Emporium plans aggressive growth in both company-run and franchised stores. Target markets include Washington D.C.; Baltimore; Los Angeles; Atlanta; Philadelphia; and Minneapolis.

Gary Wilber, ceo, said the chain could open as many as 50 to 60 corporate and franchised stores by 1992.

Meanwhile, new states targeted for introduction include New Jersey, New York, Rhode Island, and Massachusetts. When Drug Emporium closed its four-store Colorado franchise, exiting that state, it also entered New York and Nevada, raising its presence to 29 states across the nation.

New titles

Preparing for growth, founder Philip Wilber turned over the ceo post to son Gary while retaining the chairman's job. Robert Lyons, noted for his turnaround of the Philadelphia operation, was named president and chief operations officer.

In 1989, Drug Emporium's stock price had its ups and downs. In the early part of the year, strong earnings that exceeded analysts' forecasts helped to push the share price as high as 32 5/8 in June (from an initial IPO price of $14.50). In July, a two-for-one stock split halved the share price. Then, soft earnings in the second half caused the price to fall to $7.50 by press time.

Second-half earnings were affected by higher-than-expected store opening costs and a chainwide strategy of price-cutting, which reduced margins. Yet the price-cutting also propelled sales.

Drug Emporium opened four technician-staffed Health Test Centers in stores in Jacksonville, Fla., offering a range of health care tests.

A new advertising campaign being tested features "customer councils," focus groups of men and women discussing their preferences. The chain said it might rollout the concept chainwide.

FOR SALE
$60,000

OUR PRICING PHILOSOPHY

If someone offered you a mansion priced like this...well, you'd want to check it out first. Who could blame you? And since our premium quality products are just as attractively priced, we'll gladly arrange a closer look when you give us a call.

Our pricing philosophy is simple. We select the finest, freshest nuts available, roast them to perfection, pack them in eye-appealing packages and price them to sell for less than other premium brands.

Your customers get great taste and great value. You get low wholesale prices plus attractive packaging to encourage trial. And these premium quality nuts bring customers back for more. You and your customers get quite a bargain.

Call 1-800-648-6887, and we'll send an assortment of samples. Go ahead, check us out–inside and out. We think you'll want to move right in.

The Peanut Factory®

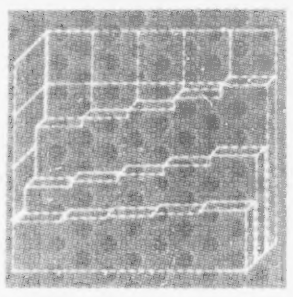
ROME, GEORGIA 30161

©1990, The Peanut Factory, Inc.

VACUUM PACKED CANS ▪ PEGBOARD/LAYDOWN CELLO-PACKS ▪ VENDING BAGS ▪ HOLIDAY PACKS ▪ INSTITUTIONAL BULK PACKS

This is not an offer to sell this house for $60,000. (We know that you know that. But our lawyers made us say it anyway.)

Arbor's firm grasp on home market spells success



TROY, Mich. — For Arbor Drugs, 1990 promises to be another year of record sales and profits.

Since tripling its store count the past five years through new store development and acquisitions, the industry has looked to the chain as a sterling example of a regional operator with its tentacles on a market. Observers note management's trained focus on drug store basics, tight expense controls and chainwide disciplines as marks of a well-run operation. Indeed, Arbor was voted *Drug Store News*' REX Small Chain of the Year in industrywide ballotting.

Specifically, Arbor operates 93 drug stores in the state, each averaging more than $3.5 million annually on $350 sales per square foot. In the fiscal year ended July 31, 87 stores generated sales of $300.2 million, a 21.8 percent hike from $246.5 million. Net income rose 37.7 percent to $9.2 million. In the period, comparable-store sales climbed 14.6 percent as new and acquired drug stores continued to build business.

Pharmacy volume itself was up 30 percent for the year, and now accounts for 36.8 percent of chainwide sales.

The uptrend is continuing through the first half of fiscal 1990. Net income for the six months ended Jan. 31, 1990 has risen 28.1 percent to $6.1 million, on a 14.3 percent sales gain to $169.7 million. Comparable-store sales rose 10 percent in the half.

During the latest quarter, Arbor opened five new stores, part of plans to open 12 to 15 and remodel eight to 10 this year.

The chain has also introduced Arbortech Plus, an enhancement to the chainwide pharmacy computer system, and has completed a pilot point-of-sale scanning test. Technological advances will bring even greater efficiencies to the distinctly well-merchandised stores.

Stores average 10,800 square feet, including 9,300 square feet of selling space. All are staffed by service cosmeticians and have full convenience food departments.

Very disciplined

"The stores are set up to do a lot of volume, and we spend the money to keep them up-to-date and consistent," Max Ernst, executive vp and chief operating officer once told *Drug Store News*. "We're very disciplined. . . all the stores have the same layout."

"We pay attention to detail, and we know our customers like what we're doing," said chairman Eugene Applebaum.

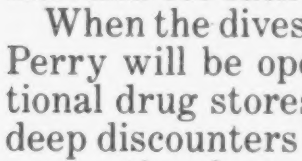
Their operating guidelines: constant review of the merchandise mix; a centrally-controlled buying and pricing policy that encourages store managers to focus on customer service and running the store; careful cultivation of a company image stressing health care, quality and everyday low prices through aggressive advertising; and neat, uncluttered stores cut from the same mold.

Arbor stores take a standardized approach to merchandising major branded lines of cosmetics and other core categories in a spotless environment.

Arbor at a glance

Name: **Arbor Drugs**
Headquarters: **Troy, Mich.**
Officers: **Eugene Applebaum, chairman, president and ceo; Max Ernst, executive vp and chief operating officer**
Sales: **$300.2 million**
Store count: **93 as of March 1, 1990**
Average store size: **10,800 square feet (9,300 selling)**
Highlights: **Voted REX Small Chain of the Year; achieved record results; launched ArborTech Plus pharmacy computer system and tested scanning in two stores.**

A trimmer Perry returning to basics amid turnaround



PONTIAC, MICH. — Perry Drug Stores, leader of the Michigan market, is recognizing that there's no place like home.

The 215-store chain is busy culling unproductive sites from its roster as it refocuses [illegible] Michigan and Illinois markets. It is spending this spring leaving Wisconsin and Indiana, and "redeploying assets where they can be most effective," said chairman and ceo Jack Robinson.

When the divestiture is completed, Perry will be operating 166 conventional drug stores and 16 A.L. Price deep discounters in Michigan, and 24 conventional stores in the Chicago area. After two years of gradual downsizing, Perry plans to add 10 new stores this year, including one A.L. Price and another 20 in fiscal 1991. Most of the growth will be in Michigan.

The subject of growth is a positive one at Perry, which is turning itself around after two prior years of big losses. In the latest fiscal year, ended Oct. 31, Perry posted net earnings of $7.1 million on sales of $669.6 million, after applying tax-loss carryforwards.

Causes of turnaround

The Perry turnaround can be attributed to: top managers drawn from a broad retail base; a shift to basic drug store merchandise, with an accompanying refocus on health care; aggressive efforts to spruce up Perry's home-market image; and a major store renovation and remodeling program, based on development of a new store prototype.

Those efforts will continue without Gary Allen, senior vp-store operations, who was recruited two years ago by president David Schwartz, his former boss at Albertson's. Allen played a major role in revitalizing Perry, introducing greater field autonomy and making an imprint on the "Store of the '90s" prototype. Schwartz will assume these additional duties; divisional heads who formerly reported to Allen will now report directly to Schwartz.

The store format, already retrofitted to nearly 100 stores since its 1988 introduction, leans heavily on service and a dense, high-impact presentation of core drug store categories. Perry plans to remodel another 40 to 45 stores this year.

In a recent stockholders meeting, Robinson said the chain's three-year program is paying off in aggressive remodelings, refined merchandising approaches and sharper controls of third-party pharmacy billings. He also noted that central buying of more than 70 percent of merchandise is helping to raise gross margins.

Pharmacy continues to grow at Perry, now accounting for 34 percent of sales. Stores average 160 scripts a day, with new prescriptions accounting for 62 percent of that.

When the generic drug controvery raged last fall, Perry assumed a leadership role by taking full-page ads in its biggest markets to try to calm public fears about the safety and quality of generic medications it sold. The ads advised customers "to make your pharmacist the first person you talk to" when discussing the quality of their prescription drugs. The ads, signed by Robinson, also advised patients not to change their medication.

CHECK OUT
SERVICE
EXPERTS

Perry's "Store of the '90s" prototype, in nearly 100 stores now, emphasizes service and core drug store categories such as photo.

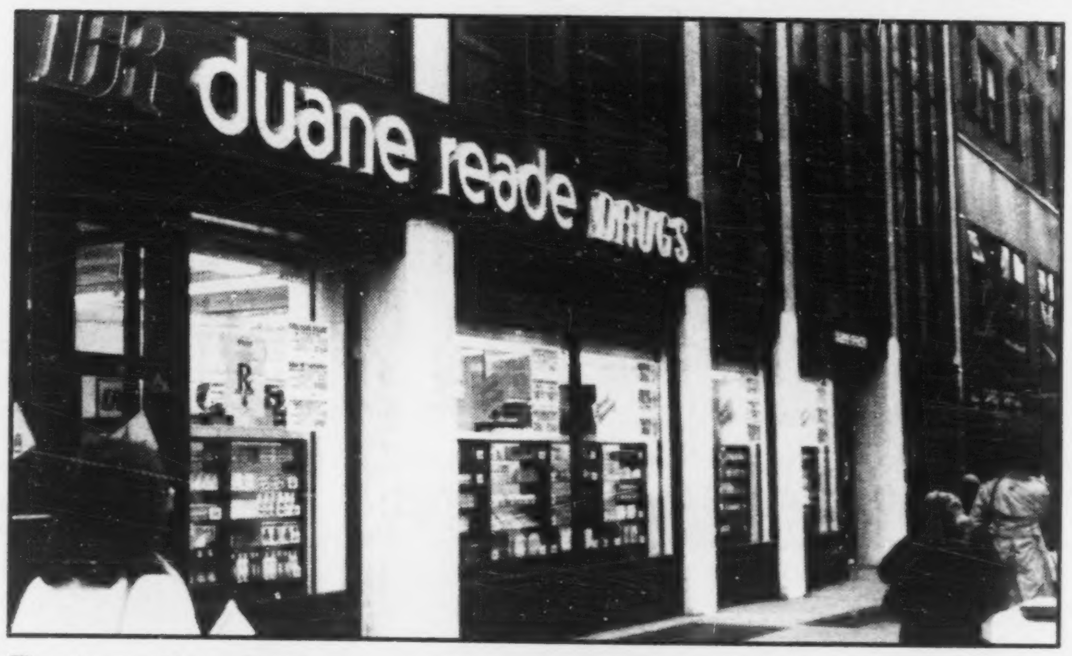
Perry at a glance

Name: **Perry Drug Stores**
Headquarters: **Pontiac, Mich.**
Officers: **Jack Robinson, chairman; David Schwartz, president**
Sales: **$669.6 million**
Store count: **215**
Average store size: **12,000 square feet**
Markets: **Michigan, Illinois, Wisconsin**
Highlights: **Focusing on Michigan and Illinois markets; posted first annual earnings in three years; has retrofitted nearly half the chain with "Store of the '90s" prototype.**

Duane Reade, champ of Manhattan, pressing ahead

NEW YORK — Duane Reade, operator of the most productive drug stores in New York City, is planning to open its second non-Manhattan store later this year in the Bronx.

Like its predecessor, a Brooklyn store opened two years ago on Fulton St., the Bronx store is a reaction to a "site location" opportunity and not part of a program to simply expand the Duane Reade concept into new neighborhoods.



By targeting business centers and densely-populated neighborhoods, Duane Reade draws extraordinary traffic.

Duane Reade sets specific performance criteria for sites: they must generate $6 million to $7 million annual sales.

For example, the Brooklyn store is on a busy street closed to automobile traffic and turned into a mall. Foot traffic is "enormous, and the store has done exceptionally well," a company source said.

Opening by summer

The Bronx store, which will open by the summer, is on Fordham Rd., a section that resembles Chicago's Miracle Mile, except that destination stores here are mostly discounters. Among them: Alexander's and Rockbottom.

Duane Reade has always used traffic to offset the high costs of doing business in New York. Today, its 34 stores, all with selling space of 5,000 to 6,000 square feet, each generate over $6 million a year in per-store sales.

Management is still expanding the chain in its hometown Manhattan market, where it opened three stores in 1989 and will open another two in 1990.

Low-price, expanded mix

Consumers have long ago learned to favor Duane Reade's everyday low-price, cut-throat discount image. The chain's mix remains predominantly H&BAs, though in recent years it has expanded heavily into foods and beverages, which reinforce its convenience image.

Consumables growth has been in the 20-percent range annually; management feels that on an individual item basis, the chain is moving more bottled waters and snacks then any H&BA item. Foods and beverages now account for over 10 percent of total company sales, one source estimated.

Bath and personal care are other growth categories at Duane Reade.

About 25 Duane Reade stores also have cosmetics sales clerks who oversee the department, help customers, and staff separate registers so customers can get in and out of the store fast with purchases.

Duane Reade at a glance

Name: **Duane Reade**
Headquarters: **Long Island City, New York**
Officers: **Eli Cohen, president; Abraham D. Cohen, chairman**
Sales: **$236 million, estimated**
Store count: **34 as of March 1, 1990**
Average store size: **5,000 square feet**
Market: **Manhattan and Brooklyn, N.Y.**
Distribution: **85 percent of mix through 155,000-square-feet distribution center**
Highlights: **In 1989, Duane Reade opened three Manhattan stores, expanded convenience foods, bath and personal care, and plans to open first Bronx store.**

WE'RE YOUR PRESCRIPTION FOR INCREASED PROFITS IN THE 90'S

- Store Planning & Design
- Interior Decor
- Merchandising
- Display Shelving
- Rx Bays
- Narcotics Units
- Undersink Units
- Bottle Units
- Vial Drawer Units
- Counterwork
- Storage Shelving

FOR MORE INFORMATION CALL TOLL FREE 800-229-2445

Childs
STORE FIXTURES
International

Corporate Headquarters
& Manufacturing Facilities
901 Killarney Drive
Pittsburgh, PA 15234

Distribution Center
12020 Woodruff Ave
Suite F Downey, CA 90241

Easy to carry & use lipstick form.
(No camphor, phenol or "caines".)
HERPECIN-L®
Cold Sore Lip Balm. *"It Works!"*
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

Walgreens
REPRINTS

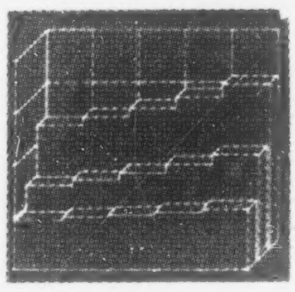
For extra copies of DrSN's special *Walgreens: Chain Drug Retailer of the Decade* issue (March 26, 1990), use order form at right. Please include $25 in check or money order payable to Drug Store News for each copy ordered.

Company . . . .
Name . . . .
Title . . . .
Address . . . .
City . . . .
State, zip . . . .
Phone number . . . .

Send requests to Bruce Buckley, Editor, Drug Store News, 425 Park Ave., New York, N.Y. 10022.

Annual Report Part I: Medicine Shoppe

Medicine Shoppe retail sales thriving; Rx specialization drives performance



ST. LOUIS — Medicine Shoppe International is jumping into the '90s on a 10-year streak of 25 percent annual compound earnings growth. Retail sales topped $450 million in 1989, on same-store sales gains that nearly double the industrywide rate.

The chain of 821 independent pharmacy franchises thrives on the best of both worlds. "As a chain, we receive programs and systems needed to compete, yet all our stores are independently owned," said Jeff Atkinson, vp, strategic planning.

Specialization is key

The company's uniqueness lies in its specialization. The average store generates more than 90 percent of volume from prescriptions, in a format of approximately 1,200 square feet. That is 15 percent the size of the typical chain and one-third that of most independents. Yet, MSI stores average $529 sales per square foot, nearly double the rate of some chains and independents. The company also targets the 45-plus age group, which represents over 60 percent of its business.

MSI spent 1989 stepping up the pace of independent conversions into its system. Twenty converted stores opened in 1989, more than double any prior year. This growth is expected to continue, as traditional independents seek greater clout.

Focus on prescriptions

MSI's focus is on prescriptions, but it has lately been paying greater attention to its front-end. "We're intent on creating 'care departments,' with specialized departments for patients with diseases like arthritis and diabetes," Atkinson said. This also helps build the consultation function for the store's pharmacist.

Promotions and sales share of high-margin private label are also on the rise at MSI.

Since much of the company's business is in third-party, MSI recently created its owned subsidiary, Medicine Shoppe InterNet, a managed care network. "This network allows our stores to speak as one voice when negotiating contracts with third-party payers—unlike independents, who often get locked out of these contracts," said Gary Levine, vp-managed health care.

President Jerome F. Sheldon believes the network is also an advantage for third-party payers. "We are able to quickly review and evaluate potential third-party contracts to assure a reasonable level of profitability," he said in a prepared statement. "Furthermore, we are developing additional specialized pharmacy programs that are likely to substantially enhance the added value we can provide to third-party sponsors who truly seek cost containment."

Medicine Shoppe at a glance

Name: **Medicine Shoppe International, Inc.**
Headquarters: **St. Louis**
Officers: **Jerome F. Sheldon, president and ceo**
Sales: **$453.8 million**
Store count: **821**
Average store size: **1,200 square feet**
Market: **Franchises in 48 states**
Highlights: **Retail sales exceeded $450 million; same store sales increased nearly double chain drug store rate; 10 consecutive years of 25 percent compound growth rate.**

NOW WE'RE BEATING OUR OWN DRUM.

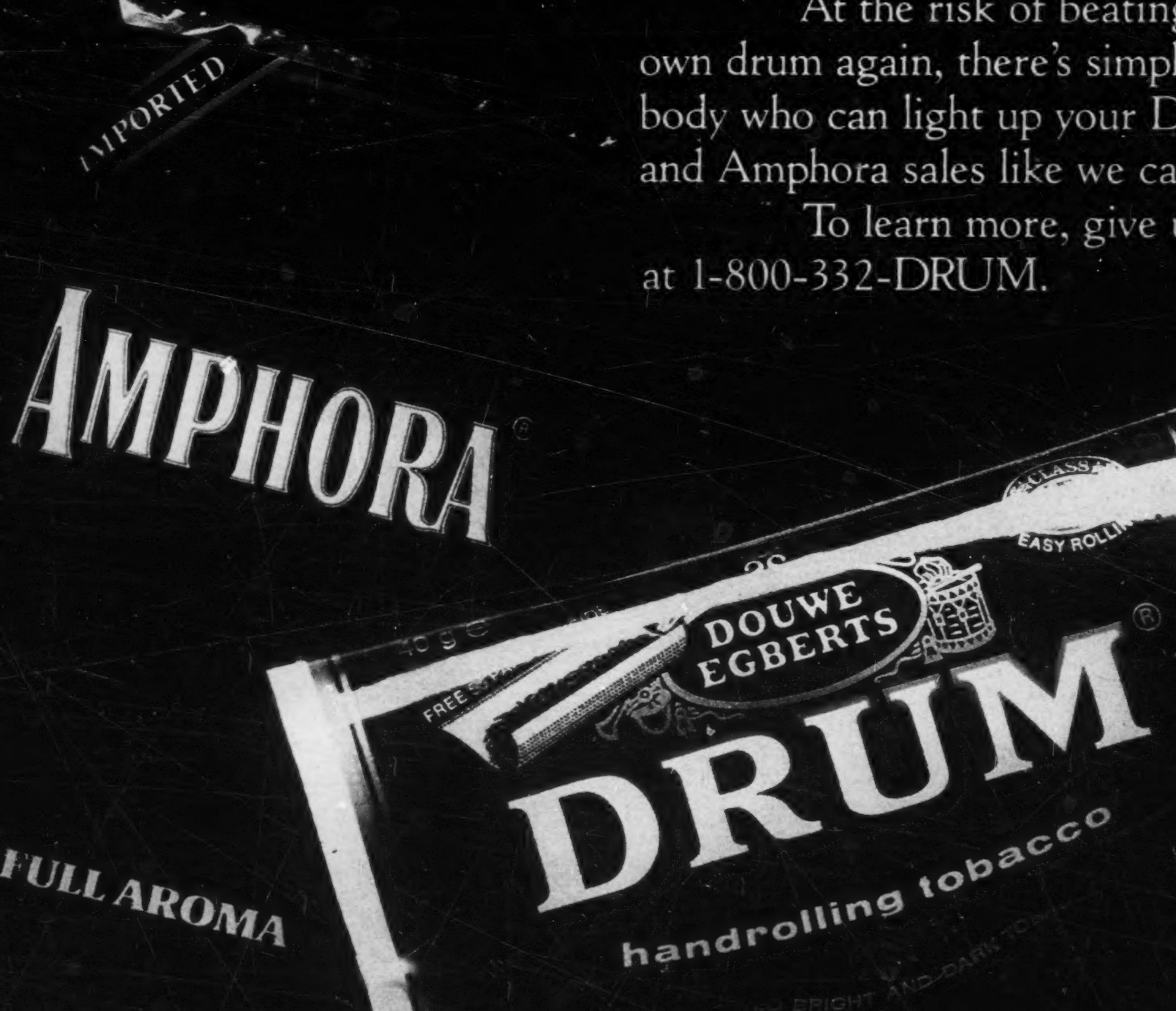
We're Douwe Egberts Van Nelle. And we're proud to announce that from now on we'll handle the U.S. marketing of our Drum and Amphora tobaccos on our own.

After all, nobody knows these brands better than we do: we make and market them internationally...as we've done with a wide variety of fine tobacco products for more than 200 years.

Now we can give Drum and Amphora our full attention in the U.S. In fact, we're immediately implementing a new U.S. marketing effort, as well as an impressive new U.S. advertising campaign.

At the risk of beating our own drum again, there's simply nobody who can light up your Drum and Amphora sales like we can.

To learn more, give us a call at 1-800-332-DRUM.



Douwe Egberts Van Nelle Inc.
TWO STAMFORD LANDING D·E STAMFORD CT 06902

Revco's third qtr. shows store sales on upswing

TWINSBURG, Ohio — With 16 fewer stores on line and its Insta-Care Pharmacy Services subsidiary sold, Revco D.S. nonetheless posted a 7.3-percent increase in sales for its third quarter ended Feb. 10, to $713.2 million, the company reported.

A one-time non-cash charge to pre-tax earnings of $233.0 million, to accrue for costs associated with the chain's recently announced divestiture program, caused Revco to post a net loss for the quarter of $192.6 million, compared to the $6.0-million loss listed for the previous year's quarter. Excluding the effects of the one-time charge, operating profit before depreciation and amortization rose 5.4 percent, to $26.2 million for the quarter.

"Looking beyond the one-time charge. . . Revco's operating results continue to show evidence of our turnaround," said Gregory K. Raven, executive vp and cfo. "Each quarter of this fiscal year has shown sales and operating profit steadily improving. Comparable store sales have increased nearly ten percent for the nine-month period over last year."

Added Boake Sells, chairman and ceo, "Our prescription volume, average transaction per customer and average sales per store are all up. We had an excellent Christmas selling season. Clearly, customers are telling us they like our service, our products, and our stores."

The chain announced in January it was putting 712 of its stores, primarily in Midwestern, Southwestern and Southern markets, on the selling block as it attempts to build market share and shore up its competitive position in its home Middle Atlantic and Southeastern regions. Sells said the stores have drawn substantial interest, but no concrete deals could be reported as yet.

Record sales year at Big B; earnings decline

BIRMINGHAM, Ala. — Acquisition activity at Big B, Inc. has left its mark on performance figures for the year ended Feb. 3rd. Sales climbed 54 percent to $417.7 million, while financing and other acquisition-related expenses caused earnings to decline to $3.7 million, from $7.2 million the previous year.

The Southeastern retailer had bought 85-store Reed Drug during the course of the year.

Fourth-quarter figures saw earnings fall from $2.3 million to $820,000, on sales of $132.7 million, a 60-percent increase.

Big B's board of directors has declared a 4-cent per share dividend payable this April 20th for stockholders of record April 6th.

Hikes in sales, net in Bergen's 2nd quarter

ORANGE, Calif. — Bergen Brunswig Corp. noted a 12-percent increase in sales, to $1.09 billion, and record earnings of $15.4 million, a 34-percent increase, for the second quarter ended Feb. 28.

For six months, sales increased 12 percent to $2.18 billion, with earnings up 29 percent, to $30.3 million.

Emil P. Martini Jr., chairman and ceo, cited strong sales and earnings growth from the Bergen Brunswig Drug Co. division as contributing to corporate performance, noting that sales and earnings from Commtron, the corporation's 80-percent-owned video distribution arm, were lower than for the previous year's period.

American Stores' board soups up dividend

SALT LAKE CITY — American Stores' board of directors boosted the quarterly cash dividend payable this April 13 12 percent, to 28 cents a share, for stockholders of record April 3.

Wal-Mart Stores notes record results for year

BENTONVILLE, Ark. — Wal-Mart Stores, Inc. reported record results for both the fourth quarter and year ended Jan. 31.

For the year, net income was up 29 percent to $1.076 billion on $25.811 billion in sales, a 25-percent increase. Per-share net income increased from $1.48 to $1.90; return on equity increased from 36 percent to 37 percent.

For the fourth quarter, net income climbed 32 percent to $425.9 million on sales of $8.107 billion.

At year's end, the company operated 1,402 Wal-Mart stores, 123 Sam's Wholesale clubs and three Hypermart*USA units.

Compiled by Paul W. Cockerham

Drug Store News (ISSN 0191-7587) is published biweekly—every other Monday, monthly in December—by Lebhar-Friedman Inc., 425 Park Ave., New York, N. Y. 10022. Subscription rates: in-field subscribers, retailers and wholesalers, one year (23 issues) $19.50; two years $35. Manufacturers and their representatives $45; schools, libraries and all other out-of-field subscribers $95. Foreign subscriptions: airmail only $125 per year.

Second-class postage paid at New York, N.Y. and additional mailing offices. Copyright © 1990 by Lebhar-Friedman Inc. All rights reserved. POSTMASTER: Please send address changes to Subscription Dept., Drug Store News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079. For change of address six weeks notice to Subscription Dept., 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079 is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 12, No. 7 Apr. 9, 1990

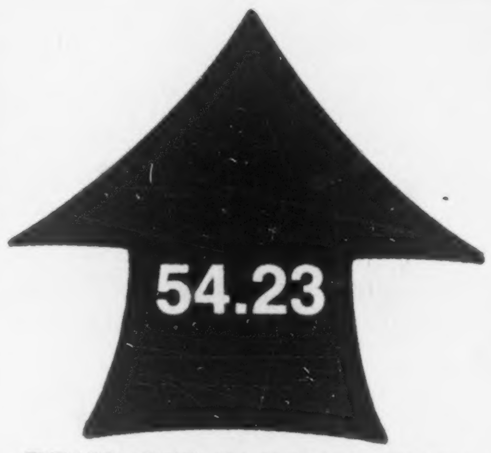
MARKET DIARY:

Largest Dollar Gainer	American Stores	$ 5.25
Largest Dollar Loser	Fred Meyer	$– 2.75
Largest Percentage Gainer	Bolar Pharmaceutical	10.17%
Largest Percentage Loser	Fred Meyer	–16.42%

Advances	30
Declines	18
Unchanged	7
New highs	3
New lows	5

	Close 3/13/90	Close 3/27/90	Net Change	Percent Change
Drug Store News Index				
Dow Jones Industrial Average	2674.55	2736.94	62.39	2.33
Standard & Poor's 500-Stock Index	336.00	341.50	5.50	1.64
N.Y.S.E. Composite	185.25	187.40	2.15	1.16
Value Line Index	244.30	245.08	0.78	0.32

Source: Nordby International Inc., Boulder, Colo.



DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 3/13/90	Closing Price 3/27/90	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	**Arbor Drugs**	ARBR	16.50	17.75	1.25	7.58	16	0.16	0.90	24.75	12.13
OTC	**Big B**	BIGB	11.38	11.13	–0.25	–2.20	22	0.16	1.44	15.25	10.63
OTC	**Drug Emporium**	DEMP	7.50	7.50	0.00	0.00	11	0.20	2.67	16.38	6.88
NYS	**Fay's Inc. (L)**	FAY	8.13	8.13	0.00	0.00	12	0.20	2.46	15.00	7.75
ASE	**Genovese Drug**	GDX.A	8.25	8.25	0.00	0.00	20	0.24	2.91	12.88	8.13
OTC	**Leroy Pharmacies**	LERY	5.25	5.13	–0.13	–2.38	–13	0.00	0.00	5.75	2.88
NYS	**Longs Drug Stores**	LDG	39.63	42.50	2.88	7.26	14	0.96	2.26	48.50	34.50
OTC	**Medicine Shoppe**	MSII	21.25	21.25	0.00	0.00	22	0.16	0.75	23.25	17.25
NYS	**Perry Drug**	PDS	8.75	8.63	–0.13	–1.43	15	0.00	0.00	12.88	7.38
NYS	**Rite Aid Corp.**	RAD	32.63	31.13	–1.50	–4.60	15	0.88	2.83	41.13	29.50
NYS	**Walgreen Co.**	WAG	42.38	42.63	0.25	0.59	17	0.80	1.88	50.25	35.25
Wholesaler's transactions											
ASE	**Bergen Brunswig**	BBC	25.00	24.75	–0.25	–1.00	14	0.32	1.29	27.25	20.50
OTC	**Bindley Western Ind.**	BIND	9.88	9.75	–0.13	–1.27	19	0.00	0.00	10.75	7.50
OTC	**Cardinal Distribution**	CDIC	20.75	22.00	1.25	6.02	17	0.08	0.36	25.00	15.25
OTC	**Durr-Fillauer**	DUFM	21.88	23.00	1.13	5.14	15	0.24	1.04	24.38	18.50
ASE	**Ketchum**	KCH	2.50	2.13	–0.38	–15.00	–1	0.00	0.00	7.13	1.63
NYS	**McKesson Corp.**	MCK	36.50	37.88	1.38	3.77	16	1.44	3.80	39.75	30.13
ASE	**Moore Medical (L)**	MMD	6.88	6.63	–0.25	–3.64	–8	0.00	0.00	15.13	6.25
NYS	**Owens & Minor**	OMI	11.38	11.38	0.00	0.00	38	0.24	2.11	14.00	10.63
Manufacturer's transactions											
NYS	**Abbott Labs**	ABT	63.50	64.88	1.38	2.17	17	1.68	2.59	70.38	53.25
NYS	**American Home Products**	AHP	101.25	100.75	–0.50	–0.49	14	4.28	4.25	110.25	85.75
NYS	**Baxter International**	BAX	24.13	24.38	0.25	1.04	16	0.64	2.63	26.25	18.63
OTC	**Block Drugs Co.**	BLOCA	34.38	33.50	–0.88	–2.55	13	0.68	2.03	38.00	31.13
ASE	**Bolar Pharmaceutical**	BLR	7.38	8.13	0.75	10.17	5	0.16	1.97	32.25	3.50
NYS	**Bristol-Myers Squibb**	BMY	52.25	53.50	1.25	2.39	38	2.12	3.96	58.25	46.13
NYS	**Carter-Wallace**	CAR	52.38	50.38	–2.00	–3.82	15	0.80	1.59	60.50	40.00
ASE	**Columbia Labs**	COB	14.00	13.13	–0.88	–6.25	–23	0.00	0.00	19.63	4.38
ASE	**Forest Labs**	FRX	38.00	39.63	1.63	4.28	29	0.00	0.00	44.50	28.63
NYS	**ICN Pharmaceutical**	ICN	4.00	3.63	–0.38	–9.38	–1	0.00	0.00	6.88	3.50
ASE	**Lee Pharmaceutical**	LPH	1.88	1.88	0.00	0.00	–9	0.00	0.00	4.75	1.75
ASE	**Leiner P. Nutrition**	PLI	10.00	10.50	0.50	5.00	17	0.00	0.00	14.25	8.75
NYS	**Lilly Eli Co.**	LLY	61.88	64.88	3.00	4.85	20	1.64	2.53	69.25	50.50
NYS	**Marion Labs (L)**	MKC	22.50	21.88	–0.63	–2.78	91	0.60	2.74	36.63	21.00
NYS	**Merck Co.**	MRK	67.13	71.38	4.25	6.33	19	1.80	2.52	80.75	64.63
NYS	**Mylan Labs**	MYL	21.50	20.00	–1.50	–6.98	36	0.20	1.00	25.38	8.13
NYS	**Par Pharmaceutical**	PRX	7.25	6.63	–0.63	–8.62	331	0.00	0.00	11.25	3.88
NYS	**Pfizer Inc.**	PFE	59.25	60.13	0.88	1.48	15	2.40	3.99	75.75	54.50
NYS	**Rorer Group (H)**	ROR	65.38	67.88	2.50	3.82	25	0.84	1.24	68.13	36.13
NYS	**Schering Plough**	SGP	77.00	80.25	3.25	4.22	19	1.80	2.24	87.50	63.38
NYS	**Syntex Corp.**	SYN	49.50	50.63	1.13	2.27	19	1.48	2.92	54.50	40.00
OTC	**Taro-Vit Industries (L)**	TAROF	1.00	0.88	–0.13	–12.50	29	0.00	0.00	1.88	0.88
NYS	**Upjohn Co.**	UPJ	35.50	38.88	3.38	9.51	41	1.00	2.57	42.13	28.25
NYS	**Warner-Lambert**	WLA	101.38	105.00	3.63	3.58	17	3.04	2.90	118.75	84.00
OTC	**Zenith Labs**	ZENL	5.25	5.25	0.00	0.00	—	0.00	0.00	14.00	3.50
Other retailer transactions											
NYS	**Albertson's**	ABS	55.13	55.50	0.38	0.68	19	0.96	1.73	60.25	40.75
NYS	**American Stores**	ASC	56.00	61.25	5.25	9.38	18	1.12	1.83	72.50	51.38
NYS	**Giant Food**	GFS.A	26.38	27.00	0.63	2.37	15	0.48	1.78	36.25	23.38
NYS	**Great Atlantic&Pacific Tea**	GAP	50.88	53.00	2.13	4.18	—	0.00	0.00	65.38	48.25
NYS	**K mart**	KM	33.75	34.75	1.00	2.96	22	1.64	4.72	44.88	32.13
NYS	**Kroger**	KR	12.88	13.13	0.25	1.94	–57	0.00	0.00	19.75	10.38
NYS	**Melville Corp.**	MES	48.00	48.38	0.38	0.78	13	1.40	2.89	53.63	39.50
OTC	**Fred Meyer (L)**	MEYR	16.75	14.00	–2.75	–16.42	9	0.00	0.00	23.00	13.00
NYS	**Penney, JC**	JCP	68.00	68.75	0.75	1.10	11	2.24	3.26	75.63	52.13
NYS	**Smith's Food & Drug (H)**	SFD	25.50	27.38	1.88	7.35	23	0.28	1.02	27.38	20.50
NYS	**Wal-Mart (H)**	WMT	45.88	47.25	1.38	3.00	25	0.28	0.59	47.50	32.25

Key: (H) = New high in period. (L) = New low in period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.
Source: Nordby International, Inc., Boulder, Colorado